

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 6407



Introduced by Representatives Anna Victoria Veloso-Tuazon,
Ysabel Maria J. Zamora, Lorenz R. Defensor, Jonathan Keith T. Flores,
Javier Miguel L. Benitez, and Carl Nicolas C. Cari

AN ACT
PROMOTING INVESTMENTS IN LOW CARBON ECONOMY, ESTABLISHING FOR
THIS PURPOSE A CARBON EMISSION PRICING FRAMEWORK AND
IMPLEMENTATION MECHANISM TO ACHIEVE LOW CARBON AND CLIMATE-
RESILIENT ECONOMIC DEVELOPMENT

EXPLANATORY NOTE

The Philippines is once again at the top of the World Risk Index for 2025, as a result of its high geographic fragmentation and high exposure to weather related extremes.¹ Rising temperatures, stronger typhoons, flooding, and sea level rise continue to threaten lives, livelihoods, and infrastructure.² At the same time, with the global economy rapidly transitioning toward low-carbon development³ and the need for the Philippines to join the rest of ASEAN in preparing for an interoperable carbon market in keeping with decarbonization targets for key sectors as part of the ASEAN strategy for carbon neutrality,⁴ it is necessary to foster greater coherence of government policies, market mechanisms, and rally private sector efforts towards meaningful decarbonization.

This proposed measure aims to establish a comprehensive policy and institutional framework that will not only guide the Philippines in meeting its commitments under the Paris Agreement and in achieving its Nationally Determined Contribution (NDC) but also allow the Philippines to benefit from Paris Agreement compliant carbon markets that finance climate action, support net zero goals, and help governments and businesses meet their climate commitments. This measure, which

¹ <https://weltrisikobericht.de/worldriskreport/>. See <https://www.abs-cbn.com/news/nation/2025/11/4/ph-ranks-first-in-2025-world-risk-index-on-vulnerability-to-flooding-1644>

² https://www.researchgate.net/publication/325187304_Climate_Change_and_Typhoons_in_the_Philippines_Extreme_Weather_Events_in_the_Anthropocene?utm_source.

³ https://www.oecd.org/en/publications/investing-in-climate-for-growth-and-development_16b7cbc7-en/full-report/investing-in-climate-for-growth-and-development-policy-highlights_867ee4f8.html?utm_source.

⁴ <https://asean.org/wp-content/uploads/2024/01/ASEAN-for-Business-Bulletin-January-2024.pdf>

builds on the 19th Congress versions of House Bill 7705 (which was principally authored by Bohol 1st District Representative Edgar M Chatto) and House Bill 11375 (the consolidated and substitute version that was subsequently passed on third reading in the 19th Congress) provides for the following:

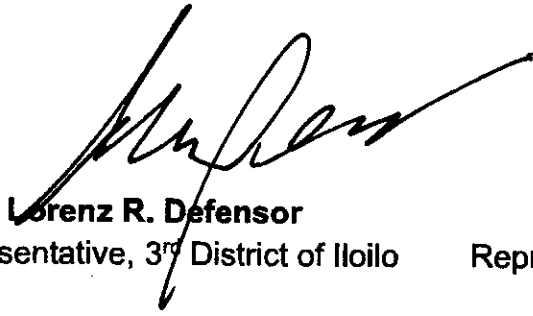
1. Carbon Emission Pricing – creating a system that internalizes the cost of greenhouse gas emissions, incentivizes businesses to decarbonize, and mobilizes investments in green technologies.
2. National Greenhouse Gas Inventory and Verification – ensuring accurate data collection and transparent monitoring of emissions across sectors.
3. Sectoral and Enterprise-Level Decarbonization Plans – requiring covered industries and financial institutions to adopt pathways consistent with the country's climate targets.
4. Climate Finance and Incentives – establishing a fund and policy instruments to support emission reduction projects, energy transition programs, and resilience-building initiatives, while also encouraging private sector participation.
5. Participation in International Carbon Markets – enabling the Philippines to benefit from global cooperation mechanisms under the Paris Agreement.
6. Proposed revisions subsequent to the passage of HB 11375 which include the addition of financial institutions as a covered enterprise, expanded reference to nature based solutions, the change of the term “decarbonization fund” to “climate fund” to reflect the fact that the carbon price not only covers abatement cost but also loss and damage preventative cost, and disclosures on non-market approaches to advance climate action through policies, strategies, education and awareness programs to protect, conserve and restore ecosystems, protect biodiversity, and reduce vulnerability to climate change impacts .

Through this framework, this bill seeks to protect the environment and at the same time create opportunities for green growth, creation of new industries, and generation of jobs. The Philippines can reduce its vulnerability to climate risks while improving competitiveness in a decarbonizing global market.

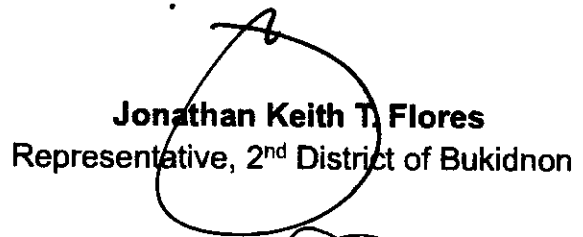
With the foregoing, the immediate passage of this bill is earnestly sought.


Anna Victoria Veloso-Tuazon
Representative, 3rd District of Leyte

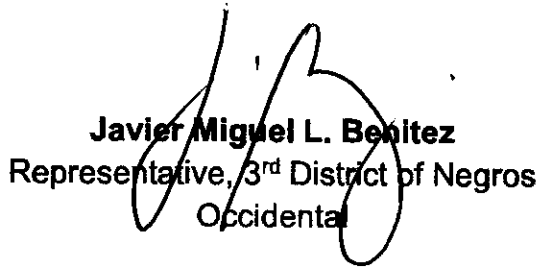

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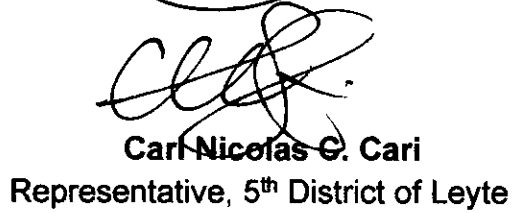
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Occidental



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RESILIENT ECONOMIC DEVELOPMENT

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 “Low Carbon Economy Investment Act.”

SEC. 2. Declaration of Policy. – It is hereby declared the policy of the State to promote sustainable development and environmental stewardship by enabling the transition to a low-carbon and resilient economy. This transition is recognized not only as an environmental imperative but as a core strategy for national economic development, designed to enhance competitiveness, create green jobs, and unlock new investment opportunities. This Act aims to achieve the country's national climate targets, particularly its Nationally Determined Contribution (NDC), by instituting a comprehensive carbon emission pricing framework. This framework is intended to catalyze private sector-led investments, attract foreign capital into low-carbon technologies and projects, and implement mechanisms that drive greenhouse gas (GHG) emissions reduction, enhance climate resilience, and foster sustainable and inclusive economic growth.

In pursuit of these goals, the State shall:

(a) Institutionalize systems and methodologies for accurate and transparent GHG inventory management and reporting at all levels;

(b) Develop and enforce sectoral decarbonization pathways and emission reduction targets in alignment with international climate agreements, particularly the Paris Agreement;

(c) Provide financial, technological, and capacity-building support to ensure the effective implementation of national climate action plans;

(d) Promote investments and adoption of low-carbon technologies, renewable energy sources, and energy-efficient practices across all sectors of the economy;

(e) Integrate climate change adaptation and mitigation measures into national and local development plans and programs;

(f) Establish robust compliance mechanisms and incentives to encourage private sector investments in decarbonization and climate resilience efforts; and

(g) Facilitate access to international climate finance and carbon markets to support the country's transition to a low-carbon economy.

By adhering to these principles, the State commits to fostering a resilient, inclusive, and sustainable future for all Filipinos.

SEC. 3. *Definition of Terms.* – As used in this Act:

(a) *Carbon emission pricing framework* refers to a system for setting a price on carbon emissions to incentivize reductions in GHG emissions through market-based mechanisms;

(b) *Carbon offset* refers to reduction in GHG emissions or an increase in carbon storage, e.g., through reforestation, that is used to compensate for emissions occurring elsewhere, typically measured in metric tonnes of carbon dioxide equivalent (CO₂e);

(c) *Covered enterprises* refer to large and medium-sized enterprises of covered sectors identified in Section 18 of this Act, and whose emissions materially contribute to the Philippine GHG emissions. These enterprises are required to prepare and implement decarbonization plans in accordance with Section 20 of this Act;

(d) *Climate fund* refers to a fund established by covered enterprises to allocate financial resources for emissions reduction activities, including investments in low-carbon technologies and carbon offset projects;

(e) *Decarbonization pathway* refers to a strategic plan outlining specific, measurable, and time-bound targets and actions for reducing GHG emissions. This pathway includes emissions baselines, reduction strategies, and investment roadmaps aligned with national and sectoral decarbonization targets;

- (f) *Emission reduction targets* refer to specific goals for reducing GHG emissions, stated as percentage reductions from a baseline year, aimed at achieving national climate targets in line with international agreements such as the Paris Agreement;
- (g) *Emissions allowance* refers to the permitted level of GHG emissions allocated to a covered enterprise for a specific period, based on industry emissions cap and production share of covered enterprises to the total industry production;
- (h) *Greenhouse gas emissions* refer to emissions of gases that contribute to the greenhouse effect by absorbing infrared radiation, including carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulfur hexafluoride (SF₆);
- (i) *Internationally Transferred Mitigation Outcomes (ITMOs)* refer to mitigation outcomes that are transferred between countries under Article 6 of the Paris Agreement, used to achieve nationally determined contributions and other international climate commitments;
- (j) *Mitigation* refers to actions taken to reduce or prevent the emission of GHG, including strategies to enhance energy efficiency, transition to renewable energy sources, and improve waste management practices;
- (k) *Nationally Determined Contribution (NDC)* refers to the Philippines' long-term roadmap for GHG mitigation and climate resilience, outlining commitments to reducing emissions and adapting to climate impacts as part of the global effort to limit temperature rise under the Paris Agreement;
- (l) *Paris Agreement* refers to an international treaty under the United Nations Framework Convention on Climate Change aimed at limiting global warming to well below two degrees Celsius (2°C) above pre-industrial levels, with efforts to limit it to one point five degrees Celsius (1.5°C); and
- (m) *Third-party verifier* refers to an independent entity accredited by the CCC to assess and verify the accuracy and reliability of GHG emissions data and the compliance of covered enterprises with the provisions of this Act.
- (n) *Transition credits* refer to high-integrity carbon credits generated from the emissions reduced by retiring coal-fired power plants (CFPPs) earlier than planned and substituting them with cleaner energy alternatives.

ARTICLE 2

NATIONAL GHG EMISSIONS INVENTORY

SEC. 4. *Institutionalization of the Philippine Greenhouse Gas Inventory System (PGHGIS).* – The PGHGIS is hereby institutionalized to systematically manage and report GHG inventories across multiple levels, including national, community, entity, facility, and project levels. This system is designed to enable the Philippines to

transition towards a low-carbon and climate-resilient pathway, promoting the avoidance, reduction, and removal of emissions for sustainable development.

SEC. 5. *Lead Implementing Agency.* – The CCC shall serve as the lead agency for the implementation of the PGHGIS. The CCC shall be responsible for the following:

- (a) **Direction and Guidance** – Provide overarching direction and guidance in the accounting and reporting of GHG emissions from identified key source sectors. This includes the development and maintenance of centralized, comprehensive, and integrated database on GHGs at all inventory levels, particularly at the community and entity levels;
- (b) **System and Methodology Development** – Continuously develop and update the system and methodology for the archiving, reporting, registering, monitoring, and evaluating of GHG inventories. This ensures that the methodologies used are up-to-date and in line with international best practices;
- (c) **Capacity-Building** – Facilitate continuous capacity-building initiatives in the conduct of GHG inventories to ensure the application of the latest methodologies. This includes providing training and support, with assistance from relevant agencies such the Department of Environment and Natural Resources (DENR); and
- (d) **Strategic Measures** – Formulate strategic measures in collaboration with national government agencies, local government units (LGUs), academe, the private sector, and other relevant sectors to ensure continuous avoidance, reduction, and removal of GHG emissions. This holistic approach ensures that all stakeholders are engaged and contributing to national goals.

SEC. 6. *Sectoral Agencies and Other Relevant Agencies.* – To ensure the effective implementation of the PGHGIS, the following sectoral agencies shall take the lead in their respective areas, with assistance from the Philippine Statistics Authority (PSA):

- (a) Department of Agriculture (DA) – Responsible for the agriculture sector;
- (b) Department of Energy (DOE) – Responsible for the energy sector;
- (c) Department of Environment and Natural Resources (DENR) – Responsible for the waste, industrial processes, and forestry and other land-use sectors; and
- (d) Department of Transportation (DOTr) – Responsible for the transport sector.

Other agencies such as the Department of Science and Technology (DOST), Department of Health (DOH), Department of Public Works and Highways (DPWH), Department of Tourism (DOT), Department of Trade and Industry (DTI), and the Securities and Exchange Commission (SEC) shall also collaborate to ensure the application of transformative options under the NDC.

SEC. 7. *Role of Local Government Units.* – LGUs shall integrate climate change adaptation and mitigation measures into their local plans and programs. The following agencies, in coordination with the CCC, shall provide technical and capacity-building support to LGUs for the effective implementation of these measures:

- (a) DENR;
- (b) DTI;
- (c) SEC;
- (d) DOTr;
- (e) DA;
- (f) PSA; and
- (g) DOE.

SEC. 8. *National Integrated Climate Change Database and Information Exchange System (NICCDIES).* – The CCC shall institutionalize the NICCDIES as the primary platform for climate change and resilience information. The responsibilities of the CCC regarding NICCDIES include:

- (a) Issuing Guidelines – Develop and issue guidelines for the improvement, development, and utilization of NICCDIES to ensure it meets national and international standards for climate data management;
- (b) Engagement – Engage various stakeholders including government agencies, academe, and the private sector to contribute data sets to the NICCDIES. This collaborative approach ensures a comprehensive and inclusive database; and
- (c) Feedback Mechanisms – Institute feedback mechanisms to enhance the content, access, and continuous improvement of the NICCDIES. Regular updates and user feedback will ensure the system remains relevant and effective.

By institutionalizing these systems and clearly defining the roles and responsibilities of various agencies and stakeholders, the Philippines aims to create a robust framework for managing and reducing GHG emissions, thereby contributing to global climate goals and ensuring sustainable development for future generations.

ARTICLE 3

NATIONAL CLIMATE CHANGE ACTION PLAN AND MONITORING, REPORTING, AND VERIFICATION SYSTEM

SEC. 9. *Nationally Determined Contribution.* – The NDC shall serve as the Philippines' long-term roadmap for GHG mitigation and climate resilience, outlining the country's commitments to reducing emissions and adapting to climate impacts. The NDC shall include the following components:

- (a) **National and Sectoral Decarbonization Pathways and Emission Reduction Targets** – Specific goals for reducing GHG emissions, stated as percentage reductions from a baseline year. These targets shall be ambitious yet achievable, reflecting the country's commitment to international climate agreements, including the Paris Agreement. The national decarbonization pathway will provide an overarching strategy for emissions reductions across all sectors, while sectoral pathways will outline specific strategies and targets

for key sectors such as energy, transportation, industry, forestry, and agriculture. Each pathway shall include milestones and timelines to ensure progressive emissions reductions, consistent with the objective to limit global temperature rise to below 2°C, with efforts to limit it to 1.5°C above pre-industrial levels;

- (b) **Adaptation Measures – Strategies and actions to adapt to the impacts of climate change.** This includes building resilience to extreme weather events, protecting vulnerable ecosystems, and implementing climate-resilient cities, industrial hubs, agriculture, and other key economic aspects of the country including among others public health, water resources, and infrastructure to ensure comprehensive resilience;
- (c) **Mitigation Actions – Plans for implementing policies, measures, and projects aimed at reducing GHG emissions across various sectors such as energy, transportation, industry, forestry, and agriculture.** Mitigation actions shall include transitioning to renewable energy sources, enhancing energy efficiency, promoting sustainable land use practices, and reducing emissions from waste management; and
- (d) **Finance, Technology Transfer, and Capacity-Building – Support from developed countries in terms of finance, technology transfer, and capacity-building to effectively implement the NDC.** This includes mobilizing international climate finance, fostering public-private partnerships, and leveraging technology for low-carbon development. Capacity-building initiatives shall focus on enhancing the skills and knowledge of stakeholders involved in climate action.

SEC. 10. *Comprehensive Engagement with the Private Sector in NDC.* – The CCC shall actively engage with the private sector and develop comprehensive national and sectoral decarbonization strategies and roadmaps. This includes working closely with relevant government agencies, industry stakeholders, and experts to ensure these strategies align with both national and international climate goals.

The CCC shall integrate the actions and contributions of the private sector into the NDC. This involves incorporating decarbonization pathways provided by covered enterprises and regularly updating the NDC to reflect these contributions accurately.

Additionally, the CCC shall continuously review and update these decarbonization pathways based on data from covered enterprises. This ensures that the strategies remain aligned with international climate commitments and the latest advancements in climate science and technology.

SEC. 11. *Establishment of Monitoring, Reporting, and Verification System.* – The CCC shall establish a comprehensive Monitoring, Reporting, and Verification (MRV) system to track mitigation outcomes and the accomplishments of the NDC. This system shall ensure accurate, transparent, and timely reporting of national climate actions and compliance with international carbon market standards. The consolidated mitigation outcomes shall be reflected in the NICCDIES and shall be made available to the public.

SEC. 12. *Mandates of Other Relevant Agencies on MRV.* – The following agencies are also provided the following mandates relevant to NDC's MRV system:

- (a) The DENR is mandated to work with the CCC to monitor and report mitigation outcomes in the forestry, waste, and industry sectors. The DENR shall implement conservation, restoration, and waste management practices that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework;
- (b) The DOE is mandated to coordinate with the CCC to monitor and report mitigation outcomes in the energy sector. The DOE shall implement and oversee energy efficiency and renewable energy projects that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework;
- (c) The DOTr is mandated to collaborate with the CCC to monitor and report mitigation outcomes in the transport sector. The DOTr shall implement and oversee transportation initiatives that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework; and
- (d) The DA is mandated to collaborate with the CCC to monitor and report mitigation outcomes in the agriculture sector. The DA shall implement and oversee agricultural practices that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework.
- (e) Banko Sentral ng Pilipinas (BSP) is mandated to collaborate with the CCC to monitor and report financed emissions of financial institutions in the Philippines including emission reduction activities and outcomes.

SEC. 13. *Climate Change Expenditure Tagging as part of MRV.* – The Climate Change Expenditure Tagging (CCET) is hereby institutionalized as an audit tool to track climate adaptation and mitigation projects and programs. The CCET shall be jointly administered by the CCC, Department of Budget and Management (DBM), Department of the Interior and Local Government (DILG), Office of the Civil Defense, and other relevant agencies, with the Commission on Audit producing timely audit reports on climate expenditure. The CCET shall:

- (a) Monitor and evaluate the allocation and utilization of funds for climate projects;
- (b) Ensure transparency and accountability in climate finance;
- (c) Identify funding gaps and recommend measures to address them;
- (d) Facilitate the efficient allocation of resources towards high-impact climate initiatives; and
- (e) Support the integration of climate finance into national and local budgeting processes.

SEC. 14. *Local Climate Change Action Plan Quality Assessment Review (LCCAP QAR) System as part of MRV System.* – The CCC, in collaboration with the DILG and PAGASA, shall formulate and institutionalize the LCCAP QAR system. This system will provide feedback mechanisms for LGUs to improve their Local Climate Change Action Plans (LCCAPs), ensuring responsiveness to local hazards and socio-economic transformation towards low-carbon pathways. The LCCAP QAR shall:

- (a) Establish criteria and indicators for assessing the quality and effectiveness of LCCAPs;
- (b) Provide technical guidance and capacity-building support to LGUs for the preparation and enhancement of their LCCAPs;
- (c) Facilitate peer reviews and knowledge-sharing among LGUs to foster continuous improvement; and
- (d) Ensure alignment of LCCAPs with national and international climate goals.

SEC. 15. *NDC Steering Committee.* – The CCC shall be the lead agency in the development, implementation, monitoring, and evaluation of the NDC. The NDC Steering Committee shall be composed of representatives from each of the following agencies:

- (a) National Economic and Development Authority;
- (b) DA;
- (c) DOE;
- (d) DENR;
- (e) DOTr;
- (f) Department of Foreign Affairs;
- (g) Department of Finance;
- (h) DBM;
- (i) Department of Labor and Employment;
- (j) DOST;
- (k) DILG;
- (l) DOH;
- (m) DPWH;
- (n) DOT;
- (o) Department of Human Settlements and Urban Development;
- (p) DTI;
- (q) Department of Education, Commission on Higher Education, and Technical Education and Skills Development Authority;
- (r) National Commission on Indigenous Peoples;
- (s) Philippine Commission on Women;
- (t) National Youth Commission;
- (u) National Anti-Poverty Commission;
- (v) A representative from the academe;
- (w) A representative from each of the covered sectors; and
- (x) A representative from the civil society organizations.

SEC. 16. *Responsibilities of Government Agencies as members of NDC Committee.* – The aforementioned agencies shall align their policies and strategies with the NDC and undertake the following responsibilities:

- (a) **Alignment with National Development Priorities** – Ensure the alignment of the NDC with national development priorities and strategies, integrating climate goals into economic and social planning;
- (b) **Sector-Specific Mitigation and Adaptation Strategies** – Lead the implementation of sector-specific mitigation and adaptation strategies. Each agency shall develop and execute plans tailored to their sector's unique challenges and opportunities;
- (c) **Coordination for Technical Assistance and Climate Finance** – Facilitate coordination with development partners for technical assistance and climate finance. This includes mobilizing resources, securing grants and loans, and ensuring the efficient use of funds;
- (d) **Annual Appropriations** – Ensure annual appropriations for the implementation of unconditional policies and measures related to climate action. Budgeting should reflect the urgency and scale of climate initiatives;
- (e) **Promotion of Low-Carbon Technologies and Innovations** – Promote the development and adoption of low-carbon technologies and innovations. Agencies shall support research, development, and deployment of sustainable technologies;
- (f) **Technical and Capacity-Building Support to LGUs** – Provide technical and capacity-building support to LGUs for integrating the NDC into local plans and programs. This includes training, workshops, and technical assistance;
- (g) **Development of Nature-Based Solutions** – Develop and promote nature-based solutions that align with climate goals. This includes conducting and implementing comprehensive land use planning to address flooding, sea level rise and the adverse impacts of climate change, integrating green gray infrastructure systems to restore ecological balance, and sustainable tourism practices that protect natural resources and enhance local resilience;
- (h) **Integration with Urban Development Plans** – Ensure the integration of the NDC with urban development plans, promoting low-carbon active transport and climate-smart infrastructure projects. Urban planning should prioritize sustainability and resilience;
- (i) **Inclusion of Indigenous Peoples' Needs and Rights** – Ensure the needs and rights of indigenous peoples are addressed, applying a gender lens in the NDC implementation process. Policies should promote equity and social inclusion; and
- (j) **Representation of Youth Interests** – Represent youth interests and ensure intergenerational justice in policies and measures. Youth engagement should be a cornerstone of climate initiatives.

ARTICLE 4

INTERNATIONAL TRANSFER OF MITIGATION OUTCOMES

SEC. 17. *Mandate to the Climate Change Commission.* – To fulfill the country's role as a Host Party under the Paris Agreement, the CCC is hereby mandated to establish the necessary national framework, protocols, procedures, and registry systems to participate in international carbon markets through the cooperative approaches under Article 6.2, the mechanisms under Article 6.4, and for “other international mitigation purposes,” such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) or Voluntary Carbon Market. This mandate includes the following functions:

- (a) ***System for Approval and Authorization of Mitigation Activities.*** – The CCC shall establish a transparent system for the approval of mitigation activities and the specific authorization for the international transfer of mitigation outcomes. The CCC shall be responsible for issuing a formal Authorization statement or Letter of Authorization (LoA) for any internationally transferred mitigation outcomes (ITMOs). This LoA shall serve as a final official government approval and that under no circumstance shall the Philippine Government revoke, rescind, or alter such authorization.
- (b) ***System for Tracking and Corresponding Adjustments.*** – The CCC shall establish and manage a national ledger system that is immutable and consensus-based, to be integrated within the NICCDIES to track all mitigation outcomes and facilitate the application of corresponding adjustments. These adjustments shall be applied to the national GHG emissions balance and reported transparently through the Philippines' Biennial Transparency Report (BTR) to prevent any double counting of emission reductions, provided that:
 - (i) A corresponding adjustment shall be applied for all ITMOs that have been authorized for use towards another country's NDC or for other international mitigation purposes.
 - (ii) The government affirms that mitigation outcomes generated from activities on public lands and ancestral domains shall not be used for the achievement of the Philippines' own NDC if they have been authorized for international transfer. This policy ensures that such mitigation outcomes remain available for transfer without double counting and upholds the integrity of private, community, and indigenous peoples' carbon projects.
- (c) ***Strategic Management of Mitigation Outcomes.*** – The CCC shall, in coordination with the NDC Steering Committee and relevant agencies, establish a national strategy that defines the criteria for authorizing the international transfer of ITMOs. This strategy shall:
 - (i) Identify which types of mitigation activities or sectors will be prioritized for domestic NDC achievement versus those that may be considered for international transfer.

- (ii) Ensure that any transfer of ITMOs does not undermine the Philippines' ability to meet its own NDC targets.
- (iii) Optimize the generation of international climate finance while safeguarding national climate goals and promoting sustainable development.

(d) **Framework for High-Integrity Market Participation.** – The CCC shall establish a clear framework to facilitate the participation of the private sector, indigenous peoples, and local communities in generating and transferring high-integrity mitigation outcomes. This framework shall ensure that all mitigation activities authorized under Article 6:

- (i) Represent real, permanent, additional, and verified emission reductions.
- (ii) Contribute to the sustainable development of the Philippines.
- (iii) Have robust environmental and social safeguards in place to prevent negative impacts.

ARTICLE 5

DECARBONIZATION PLAN AND INVESTMENT ROADMAP FOR COVERED ENTERPRISES

SEC. 18. *Enterprises and Sectors Covered in this Act.* – Covered sectors are those that materially contribute to national GHG emissions, as determined by the government. This determination considers both the current and potential future contributions of these sectors to GHG emissions. Materiality assessments will be based on emissions volume, economic significance, and potential for emission avoidance and reduction. The covered sectors include:

- (a) Sectors with Energy-related emissions:
 - i. Petroleum refining, electricity generation, combined heat and power generation.
 - ii. Manufacturing and other industries and construction with fuel combustion activities – iron and steel, chemicals, pulp and paper, food processing, beverage, tobacco, mining and quarrying, textile, infrastructure, utilities, among others.
 - iii. Industries with fugitive emissions – oil and natural gas, fuel transformation (coke production, gasification transformation, etc.)
- (b) Transport sector – includes aviation, water-borne, and road transport.
- (c) Sectors with Industrial Process Emissions and Product use:
 - i. Mineral Industry (Cement, Lime, Glass, etc.)
 - ii. Chemical Industry (Petrochemical and Carbon Black Production, Fluorochemical production)
 - iii. Metal Industry
 - iv. Electronics Industry
 - v. Product use of Ozone-depleting substances substitutes (Air-Conditioning and Refrigeration, blowing agents, fire protection)

(d) Sectors with Agriculture- and Forestry-related emissions:

- i. Manufacturing companies with supply chain in agriculture and forestry, e.g., food and beverage, palm oil, etc.
- ii. Companies with land conversion activities that result to loss of carbon stocks.

(e) Sectors with Wastes-related emissions:

- i. Manufacturing and commercial establishments that generate biodegradable wastes that end up in landfills.
- ii. Manufacturing and commercial establishments that generate effluents with high Biological Oxygen Demand content.
- iii. Manufacturing establishments that use packaging that ends up in dumpsites that are subjected to open burning.

(f) All other emerging sectors that materially contribute to the countries' GHG emissions as determined by CCC.

SEC. 19. Mandate for Financial Institutions. – All universal and commercial banks as well as other financial institutions supervised by the Bangko Sentral ng Pilipinas (BSP), shall be considered covered enterprises under this Act.

Financial institutions shall:

(a) Account for and report on their financed emissions, defined as the GHG emissions associated with their portfolio of loans, investments, and other financial services, in accordance with internationally recognized methodologies such as the GHG Protocol.

(b) Prepare and submit a decarbonization pathway that outlines a time-bound strategy to align their financing and investment activities with the national goal of achieving net-zero emissions by 2050. This pathway shall include specific targets to progressively reduce exposure to carbon-intensive assets and to increase the portfolio share of financing for renewable energy, energy efficiency, and other low-carbon and climate-resilient projects and enterprises.

(c) The BSP, in coordination with the CCC, shall develop and issue specific guidelines for the implementation, monitoring, and reporting of these requirements by financial institutions.

SEC. 20. Mandate for Covered Enterprises. – All covered enterprises shall be mandated to prepare a decarbonization plan aligned with the objective to limit global temperature rise to below two degrees Celsius (2°C) above pre-industrial levels, with the goal of achieving net-zero emissions by 2050.

The decarbonization plan shall outline specific, measurable, and time-bound carbon reduction pathway with milestones and targets from the effectivity of this law towards 2050. These milestones shall include annual targets to ensure a progressive reduction in GHG emissions. The decarbonization pathway must be consistent with national decarbonization pathways and sector-specific targets established under this

Act and shall incorporate the latest climate science and technological advancements to ensure effectiveness and relevance.

The decarbonization plan shall include the following components and considerations:

- (a) **Emissions Baseline and Projections**– A detailed inventory of current GHG emissions using globally acceptable GHG inventory standards, such as the GHG Protocol Corporate Accounting and Reporting Standard (“GHG Protocol”), and future emissions projections under a business-as-usual scenario. The business-as-usual scenario represents the projected emissions trajectory if no additional mitigation measures are implemented beyond those already in place.
- (b) **Inventory Scope** – The total GHG emissions account of a covered enterprise shall include scope 1 and scope 2, and material scope 3 as defined by the GHG Protocol, with particular focus on emissions from suppliers of goods and services that are not covered enterprises under this Act. The CCC, in coordination with the DENR, shall issue guidelines on the determination of materiality for reporting purposes.
- (c) **Covered Emissions** – Covered emissions refer to the portion of a covered enterprise’s total greenhouse gas (GHG) emissions that is subject to carbon pricing under this Act. These emissions shall be clearly and exclusively attributed to the enterprise to prevent double counting or multiple charges on the same emission across different entities in the value chain.

To ensure comprehensive coverage of material emission sources contributing to national GHG levels, covered emissions shall include the following:

- i. Scope 1 or direct emissions as defined above.
- ii. Scope 2 and material Scope 3 emissions relevant to transactions with suppliers of goods and services that are not designated as covered enterprises under this Act, provided these emissions are material to the enterprise’s operations and emissions profile.

In instances where an enterprise’s total GHG emissions inventory differs from its covered emissions, both figures shall be disclosed in its submitted decarbonization plan. This ensures transparency and enables proper accounting for emissions both within and beyond the scope of pricing under this framework.

- (d) **Emissions Reduction Strategies** – A comprehensive strategy for significantly reducing or removing GHG emissions from the atmosphere, including the implementation of energy efficiency improvements that reduce energy use and emissions through upgraded technology or optimized processes across sectors, installation and expansion of renewable energy systems under the Renewable Energy Act, and other low-carbon energy technologies leading to measurable reductions in emissions. This shall include:
 - i. **Reduction Strategies within the Value Chain** – Measures and initiatives to reduce emissions within the enterprise’s own operations and supply chain. This

includes implementing energy efficiency improvements in production processes and facilities, transitioning to renewable energy sources for power and heating needs, enhancing waste management practices to minimize methane emissions, and reducing emissions from logistics and transportation through fleet optimization and the use of low-emission vehicles.

- ii. Reduction Strategies beyond the Value Chain – For emission sources within its value chain that are not yet financially viable to reduce, the covered enterprises are given the following options to meet their reduction milestones and targets:

- (1) Insetting – Covered enterprises may invest outside their value chain to drive a corresponding amount of reduction beyond their value chain that can be more financially viable. This may involve 1) establishing and operating a new decarbonization enterprise that focuses on reducing emissions through innovative projects and technologies; or 2) investing in existing companies or by buying equity in firms that are dedicated to decarbonization investments, ensuring these enterprises contribute to significant emissions reductions.

- (2) Offsetting – Covered enterprises may also purchase carbon credits from certified projects developed by other entities that reduce or remove emissions. This allows covered enterprises to achieve their emissions reduction targets by supporting external projects that are verified and credible. Examples include purchasing credits from renewable energy projects, reforestation projects, or other certified emissions reduction initiatives.

- (e) Investment Roadmap – An investment plan detailing the financial resources and investments required to achieve the emissions reduction targets within the short-, medium-, and long-term planning horizons.

- (f) A work program for non-market approaches which will not result in carbon credits or offsets but will advance climate action through policies, strategies, education and awareness programs to protect, conserve and restore ecosystems delivering crucial services (including acting as sinks and reservoirs of GHG), protecting biodiversity and reducing vulnerability to climate change impacts.

SEC. 21. *Submission and Approval.* – A Covered enterprise shall file its Decarbonization Plan with the DENR for review and approval within one year from the effectivity of this law. The DENR shall (a) ensure conformity with Section 20 of this Act, (b) upload the Report in the comprehensive and interoperable Online Registry referred to in Section 38 (c) of this Act to ensure interoperability and alignment with the NICCDIES, (c) assess the pathways outlined in the Decarbonization Plan for compliance with the established national and sectoral decarbonization targets, and (d) provide feedback to the Covered enterprise within sixty (60) days from submission for necessary revisions.

SEC. 22. *Periodic Update of Decarbonization Pathways.* – Decarbonization pathways shall be reviewed and updated at least every five (5) years to incorporate new scientific data, technological advancements, and policy changes. Covered

enterprises shall submit updated pathways to the DENR for approval, ensuring continuous alignment with national climate goals and international commitments.

ARTICLE 6

CARBON PRICING AND CLIMATE FUND

SEC. 23. *Industry or Sector Emissions cap and Emissions Allowance for Covered Enterprises.* – The CCC shall be responsible for establishing science-based emissions caps for each covered sector and allocating emissions allowances to covered enterprises within those sectors, in accordance with the following principles:

- (a) **Establishment of an Industry Emissions Cap.** The CCC, in consultation with relevant agencies and stakeholders, shall set a long-term annual, mandatory emissions cap for each covered sector, sub-sector, or industry. These caps shall be based on sectoral decarbonization approach aligned with the Paris Agreement's below 2°C pathway. In setting these annual emissions caps, the CCC shall account for each sector's unique context, including the availability of low-carbon technologies and challenges faced by hard-to-abate sectors. The CCC shall adopt globally recognized, science-based methodologies—such as those from the Science Based Targets initiative (SBTi)—to inform the sectoral pathways. The base year emissions shall be the total verified emissions of all covered enterprises in each sector during the Act's first year of implementation.
- (b) **Allocation of Emissions Allowance to Covered Enterprises** – Each covered enterprise shall receive an annual emissions allowance based on its share of the industry-wide cap. This share shall be proportional to the enterprise's production output relative to the total industry output in the preceding year. The CCC, in coordination with the Department of Trade and Industry (DTI) and the Philippine Statistics Authority (PSA), shall establish the necessary methodologies for collecting and verifying production data.
- (c) **Review and Adjustment.**– The industry emissions caps and the underlying decarbonization pathways shall be reviewed and adjusted by the CCC at least every five (5) years to incorporate new scientific data, technological advancements, and policy changes. This ensures the continued alignment of the caps with national climate goals and international commitments.

SEC. 24. *Determination of Excess Emissions and Pricing.* – Any GHG emissions by a covered enterprise that exceed the annual emissions allowance for a given year shall be subject to a carbon price set by the CCC in consultation with the DOF and other relevant agencies. The following provisions shall apply:

- (a) **Determination of Excess Emissions** – The excess emissions of a covered enterprise shall be calculated as the difference between the actual third-party

verified GHG emissions for the year and the allocated annual emissions allowance of the same year.

- (b) *Imposition of Carbon Price* – Covered enterprises with excess emissions shall be required to allocate funds equivalent to the carbon price for each metric tonne of CO₂e emitted above the allowed limit. This carbon price shall be determined by the CCC in consultation with stakeholders and relevant agencies, based on the methodology provided in Section 24.

SEC. 25. Methodology of Pricing Carbon Emissions. – The methodology for pricing carbon emissions shall be anchored on objective and reasonable bases. The total carbon price shall be based on two principal cost components:

- (a) *Mitigation Cost Component* – The price of carbon shall reflect the cost of mitigating carbon emissions, specifically the cost associated with the removal of one metric tonne of CO₂ or its equivalent from the atmosphere. This component ensures that the carbon price covers the expenses related to emissions reduction technologies and practices.
- (b) *Preventative Resilience Cost Component* – In addition to the mitigation cost, the carbon price shall also include the cost of preventive resilience measures. This considers the broader socio-economic costs of carbon emissions, factoring in the expenses required to effectively adapt to, avoid, and minimize the adverse impacts of climate change on communities, industries, ecosystems, society, and the economy.

The carbon price shall be reviewed and adjusted periodically every three (3) years to reflect changes in mitigation and resilience costs, ensuring that the pricing mechanism remains effective and aligned with national and international climate goals. This dynamic approach guarantees that the carbon price accurately represents the true cost of carbon emissions and drives continuous improvement in emissions reduction efforts.

SEC. 26. Climate Fund. – Covered enterprises shall establish a climate fund into which the funds corresponding to the carbon price for excess emissions shall be allocated. These funds shall be exclusively used to finance emissions reduction and resilience activities.

SEC. 27. Options for Allocation of Climate Fund. – Covered enterprises shall be given the option to allocate its own climate fund to scale up investments in decarbonization pathways, access climate finance and transition financing, avail of established market-based mechanisms for carbon credits and transition credits, and finance nature-based solutions, through the following options:

- (a) *Reduction of Emissions within the Value Chain* – Covered enterprises shall allocate climate fund to reduce emissions within their value chain where viable. This includes implementing energy and process efficiency improvements, transitioning to renewable energy sources, and enhancing waste management practices, among other similar activities.

(b) *Investment in Viable Business Models Beyond the Value Chain* – Covered enterprises may allocate its climate fund to invest in decarbonization activities beyond their value chain through the following options:

- i) *Investment and Operation of Own Decarbonization Enterprise* – Establishment and operation of their own enterprise focused on decarbonization technologies and practices.
- ii) *Collective Investment* – Pooling of resources with other covered enterprises to invest in and operate a decarbonization business model or technology, thereby achieving economies of scale and greater impact.
- iii) *Equity Investment* – Purchase of equity in an enterprise solely dedicated to investing in and operating decarbonization projects and technologies.

(c) *Transfer of Climate fund and Obligations* – Covered enterprises may transfer their climate fund and obligations to third parties, including:

- i) *Government Allocation* – Transfer of funds to the national government for allocation for decarbonization, implementation of nature based solutions for climate resilient ecosystems and continued availment of ecosystem services in the covered enterprises' place of operation, climate change mitigation actions that demonstrate contributions to the attainment of multiple Sustainable Development Goal targets, and low emissions development strategies decoupling economic growth from fossil fuel dependence to enhance to the highest possible level the country's ambition on climate action and fully tackle the challenges in addressing the climate emergency.
- ii) *Purchase of Allowance or Carbon Offsets* – Purchase of excess allowance from covered enterprises with emissions falling below their emissions allowances or purchase of carbon offsets from certified projects implemented in the Philippines that meet internationally recognized carbon credits certification standards and methodologies, ensuring that the offsets represent real, measurable, and additional emissions reductions.

SEC. 28. Decarbonization Taxonomy. – The CCC shall, in coordination with relevant government agencies and private sector stakeholders, develop a decarbonization taxonomy, as guidance for companies to allocate their climate fund towards sustainable investments. This taxonomy will categorize various decarbonization technologies and projects, including nature-based solutions, providing standardized definitions and criteria that align private sector investments with national and global decarbonization goals.

ARTICLE 7

COMPLIANCE MECHANISM

SEC. 29. Annual Compliance Report. – All covered enterprises are required to submit an Annual Compliance Report to the DENR to establish consistency with the

decarbonization pathway and the covered enterprises' climate resilient development. The Annual Compliance Report shall contain the following:

- (a) *Emissions Baseline and Reduction Progress* – A detailed inventory of the current GHG emissions, including any reductions achieved during the reporting period, measured against the enterprise's decarbonization pathway, as set out in its Decarbonization Progress Report.
- (b) *Reduction Activities and Outcomes* – A comprehensive description of specific emissions reduction activities undertaken, their outcomes, and the impact on the enterprise's overall GHG emissions. This shall include the following:
 - i. Implementation of energy efficiency improvements;
 - ii. Transition to renewable energy sources;
 - iii. Enhancements in waste management practices;
 - iv. Other measures and initiatives undertaken within the value chain to reduce emissions; and
 - v. Quantitative and qualitative outcomes of these activities and their contributions to the enterprise's emissions reduction targets.
- (c) *Emissions Allowance and Excess Emissions* – Documentation of the allocated emissions allowance for the year and any excess emissions, including the calculation of funds allocated to the climate fund.
- (d) *Allocation of Climate fund* – A comprehensive account of how the climate fund was allocated, detailing investments in emissions reduction activities, both within and beyond the value chain.
- (e) *Future Plans* – Outline of planned emissions reduction activities and investments for the upcoming year, aligned with the enterprise's decarbonization pathway.
- (f) Non-market decarbonization approaches undertaken to assist in the implementation of NDCs, and concrete climate action programs, projects, and initiatives to help vulnerable communities cope with the adverse effects of climate change.

SEC. 30. Third-Party Audit Report. – Covered enterprises are required to secure a third-party audit report to accompany their Annual Compliance Report. The third-party audit shall include:

- (a) *Verification and Compliance Assessment* – Verify the accuracy of the emissions data, reductions achieved, allocation of climate fund reported by the covered enterprise, and assess the enterprise's compliance with the emissions allowance.
- (b) *Audit Findings* – Include detailed findings and recommendations to enhance the enterprise's compliance with its decarbonization pathway.

SEC. 31. *Role of DENR in Compliance Monitoring.* – The DENR shall be responsible for monitoring the compliance of covered enterprises for their submission of Annual Compliance Report and third-party audit report as specified in this Act. DENR shall also be responsible for imposing penalties on non-compliant covered enterprises.

SEC. 32. *Development and Implementation of Verification Standards and Methodologies for Emissions Reporting and Compliance.* – The CCC shall develop and implement comprehensive standards, procedures, and methodologies for the verification of emissions reporting and compliance with the provisions of this law by covered enterprises. These standards will guide third-party verifiers in their verification processes and in the issuance of statements of attestation.

The established standards and methodologies shall:

- (a) Guarantee the integrity, accuracy, and reliability of reported emissions data and the compliance verification process.
- (b) Include specific criteria and practical approaches for both verifying emissions data and assessing compliance with this Act.

SEC. 33. *Development and Administration of Accreditation Process for Third-Party Verifiers.* – The CCC is hereby vested with the authority to develop procedures and administer the accreditation of independent verifiers. The CCC shall:

- (a) *Develop Accreditation Procedures* – Establish clear and comprehensive procedures for the accreditation of third-party verifiers. These procedures shall be designed to ensure that third-party verifiers meet the stringent standards required for the verification of emissions reporting and compliance assessments.
- (b) *Administer the Accreditation Process* – Implement the entire accreditation process from application to approval, ensuring that all third-party verifiers undergo a rigorous evaluation based on the established procedures and standards.
- (c) *Ensure Compliance with Accreditation Standards* – Regularly review the performance of accredited third-party verifiers and ensure they are compliant to the latest version of the accreditation standards.

ARTICLE 8

PENALTIES FOR NON-COMPLIANCE

SEC. 34. *Penalties for Non-Compliance.* – Covered enterprises that fail to comply with the provisions of this Act shall be subject to the following penalties:

- (a) *Payment of Penalties* – Covered enterprises that exceed their emissions allowance and fail to allocate the required funds to their climate fund shall pay

a penalty amounting to twice the estimated amount of the climate fund that should have been allocated.

- (b) *Failure to Submit Reports* – Covered enterprises that fail to submit their Annual Compliance Report or third-party audit report by the designated deadlines shall be subject to a penalty determined by the DENR.
- (c) *Revocation of Business Permit* – Covered enterprises that commit violations of the provisions of this Act, for three (3) consecutive years, including failure to submit required reports and failure to meet emissions reduction targets, shall be subject to the revocation of their business permit.
- (d) *Authority to Impose Penalties* – The DENR shall have the authority to impose the penalties specified in this section on covered enterprises found to be non-compliant with the provisions of this Act.

ARTICLE 9

ENABLING MECHANISMS

SEC. 35. Access to Carbon Markets. – The CCC shall provide technical assistance to covered enterprises to facilitate access to carbon markets. This assistance shall include:

- (a) *Linkage to Potential Buyers* – The CCC shall facilitate connections between covered enterprises and potential buyers of carbon credits to support the sale and trading of carbon credits.
- (b) *Technical Support for Registration* – The CCC shall provide technical support for the registration of carbon projects in recognized carbon certification programs, ensuring that enterprises meet the necessary standards and requirements to participate in carbon markets.
- (c) *Tax Deductibility of Certification Expenses* – Carbon certification expenses shall be considered allowable deductions from gross income in accordance with Section 34 of the National Internal Revenue Code of 1997, as amended.

SEC. 36. Tax Incentives. – Investments in emerging low-carbon technologies by covered enterprises shall be eligible for income tax holidays and enhanced deductions on research and development expense in accordance with Title XIII of the National Internal Revenue Code of 1997, as amended by Republic Act No. 12066, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act”. To maximize the flow of climate fund into decarbonization and resilience activities, revenues derived from the sale of excess emissions allowances and carbon credits originating from projects located within the Philippines shall be exempt from all national and local taxes, fees, and duties, including but not limited to income tax, value-added tax, documentary stamp tax, and capital gains tax.

SEC. 37. *Facilitation of Access to International Climate Finance.* – The CCC shall facilitate access to international climate finance to support the implementation of decarbonization pathways and related initiatives by covered enterprises. This includes identifying funding opportunities, assisting in the preparation of funding proposals, and ensuring compliance with international funding requirements.

SEC. 38. *Other Support Function of CCC.* – The CCC shall be responsible for consolidating the reduction strategies and roadmaps of covered enterprises, developing and maintaining an online registry, creating standardized templates for GHG emissions accounting and reporting, facilitating national and sectoral decarbonization strategies, and facilitating access to international climate finance and mechanisms for trading ITMOs under the Paris Agreement. The mandates and responsibilities of the CCC shall include the following:

- (a) **Creation of Templates for GHG Emissions Accounting and Reporting** – The CCC shall develop and provide standardized templates for the accounting and reporting of GHG emissions baselines, adopting globally acceptable methodologies. These templates shall ensure consistency, accuracy, and transparency in the reporting process and shall be mandatory for all covered enterprises.
- (b) **Consolidation of Reduction Strategies and Roadmaps** – The CCC shall be responsible for collecting and consolidating the decarbonization pathways submitted by all covered enterprises. This includes assessing and validating the individual pathways to ensure alignment with national decarbonization targets and sector-specific goals.
- (c) **Development and Maintenance of an Online Registry** – The CCC shall establish and maintain a comprehensive online registry to be integrated in NICCDIES, that serves as a centralized database for all decarbonization pathways and related information. The online registry shall:
 - i. Contain detailed information on the decarbonization pathways of all covered enterprises, including emissions baselines, reduction strategies, investment roadmaps, monitoring and reporting mechanisms, and risk management plans.
 - ii. Ensure transparency and accessibility, allowing public access to relevant data while protecting confidential business information, and include features for stakeholder engagement, public feedback, and knowledge sharing.
 - iii. Enable real-time tracking and reporting of progress in achieving emissions reduction targets, integrating third-party verification reports and compliance audits for data accuracy and reliability.
 - iv. Support the analysis and reporting of aggregated data to inform national climate policy, facilitate international reporting, and continuously improve decarbonization strategies at national and sectoral levels.
 - v. Establish protocols for data security, user access, and protection of sensitive information, ensuring the registry is regularly updated with the latest data from covered enterprises.

SEC. 39. *Support Function of LGUs.* – LGUs should integrate climate change adaptation and mitigation measures in their local plans and programs. LGUs shall support and facilitate the activities of covered enterprises as regards their decarbonization investments within the respective jurisdiction of LGUs.

ARTICLE 10

Miscellaneous Provisions

SEC. 40. *Appropriations.* – The amount necessary for the initial implementation of this Act shall be charged against the current year's appropriations of the department or agencies concerned. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

The LGUs concerned, in consultation with the CCC, may provide the necessary funds for the implementation of this Act.

SEC. 41. *Annual Report to Congress.* – The implementing agencies shall report to Congress on their progress in carrying out the provisions of this Act for each fiscal year. The reports shall be consolidated by the CCC for presentation to the appropriate committee in Congress at a meeting called for the purpose.

SEC. 42. *Staffing Complement of the CCC.* – The CCC shall determine the additional positions required for purposes of this Act consistent with its organizational structure and staffing pattern, subject to evaluation and approval of the DBM.

SEC. 43. *Implementing Rules and Regulations.* – The CCC shall, in coordination with the NDC Steering Committee, draft and issue implementing rules and regulations necessary, in coordination with other relevant and appropriate government agencies within sixty (60) days after its approval.

SEC. 44. *Separability Clause.* – If for any reason any section or provision of this Act is declared by the court as unconstitutional or invalid, the other sections or provisions thereof shall not be affected thereby.

SEC. 45. *Repealing Clause.* – All laws, ordinances, rules, and regulations, and other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

SEC. 46. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,