

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

TWENTIETH CONGRESS
Second Regular Session

HOUSE BILL NO. 11118



Introduced by **Rep. Jose Manuel "JM" F. Lagdameo**

AN ACT
AMENDING REPUBLIC ACT NO. 9367, OTHERWISE KNOWN AS THE BIOFUELS
ACT OF 2006 TO ALLOW THE USE OF ANY ENVIRONMENTALLY
SUSTAINABLE VEGETABLE OIL, WHETHER LOCALLY PRODUCED OR
IMPORTED, IN THE PRODUCTION OF BIOFUELS, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Republic Act No. 9367, otherwise known as the "Biofuels Act of 2006," was enacted to reduce the country's dependence on imported fuels, mitigate harmful emissions, promote rural employment and income, and ensure the availability of alternative and renewable clean energy without detriment to the natural ecosystem, biodiversity, and food reserves of the country. These policy objectives remain sound. The continued use of biofuels forms part of the country's effort to diversify its energy mix, reduce dependence on imported fossil fuels, and support environmental protection through cleaner, renewable fuel alternatives.

Over time, however, the law's implementation has become unduly restrictive with respect to the feedstocks that may be used to comply with the biodiesel mandate. As presently structured, the law and its implementing rules effectively favor locally sourced feedstocks, particularly coconut oil, for biodiesel production. This has limited the ability of market participants to use other environmentally sustainable vegetable oils and renewable feedstocks such as imported palm oil and other vegetable oils, subject to proper sustainability standards, that may be more available or more cost-effective, notwithstanding modern supply chains and sustainability standards that would now allow for a much wider range of feedstock options.

This restriction carries practical consequences for consumers and the broader economy. Where biodiesel production is effectively tied to a narrower set of feedstocks, particularly higher-cost domestic oils, the result can be more expensive biofuels, upward pressure on pump prices, and added demand pressure on oils that are also needed for food, industrial, and export purposes. In the case of coconut oil, the mandatory biofuel market competes directly with these other uses, contributing to price distortions and reducing the flexibility of the domestic supply chain.

This bill seeks to remedy these concerns by adopting a feedstock-neutral and technology-neutral approach in the implementation of the National Biofuels Program. It amends Republic Act No. 9367 to expressly allow the use of any environmentally sustainable vegetable oil, whether locally produced or imported, as well as other renewable biological

feedstocks, in the production of biofuels, subject to the Philippine National Standards and to sustainability standards to be prescribed and enforced by the Department of Energy (DOE).

At the same time, the bill does not abandon support for local agriculture. It retains incentives for domestic industry participants, gives preference to projects that create value-adding activities in the countryside and provide stable markets for domestic farmers, and expressly provides for food security and rural-livelihood safeguards. It further provides that locally produced feedstocks shall be preferred where economically viable, preserving opportunities for domestic producers while avoiding unnecessary rigidity in feedstock sourcing.

This bill preserves the environmental and energy-security objectives of the Biofuels Act of 2006 while making the law more responsive to present market conditions, consumer welfare, supply stability, and efficient resource use. By allowing broader feedstock options under a clear sustainability framework, the measure aims to promote a more competitive, affordable, and resilient biofuels industry for the benefit of the Filipino people.

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



JOSE MANUEL "JM" F. LAGDAMEO

Representative

2nd District, Davao del Norte

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

SECTION 1. *Short Title.* – This Act shall be referred to as the “*Expanded Biofuels Act*”.

SEC. 2. Section 3 of Republic Act No. 9367 is hereby amended as follows:

“SEC. 2. Declaration Policy - It is hereby declared the policy of the State to reduce dependence on imported fuels with due regard to the protection of public health, the environment, and the natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to:

a) Develop and utilize indigenous renewable and sustainable-sources clean energy sources to reduce dependence on imported oil **WHILE ENSURING AFFORDABILITY, SUPPLY STABILITY, AND EFFICIENCY IN THE USE OF RESOURCES THROUGH A TECHNOLOGY-NEUTRAL AND FEEDSTOCK-NEUTRAL APPROACH.**

b) Mitigate toxic and greenhouse gas (GSG) emissions;

c) increase rural employment and income; and

d) Ensure the availability of alternative and renewable clean energy **AT COMPETITIVE AND REASONABLE COST** without any detriment to the natural ecosystem, biodiversity, and food reserves of the country.”

SEC. 3. Section 3 of Republic Act No. 9367 is hereby amended as follows:

"Sec 3. Definition of Terms. — For the purposes of this Act:

"x x x

(d) *Biodiesel* - shall refer to Fatty Acid Methyl Ester (FAME) or mono-alkyl ester delivered from vegetable oil, or animal fats and other biomass-derived oils that shall be technically proven and approved by the DOE for use in diesel engines, with quality specifications in accordance with the Philippine National Standards (PNS), **REGARDLESS OF WHETHER THE FEEDSTOCK IS PRODUCED DOMESTICALLY OR IMPORTED, SUBJECT TO SUSTAINABILITY STANDARDS PRESCRIBED BY THE DOE, PROVIDED THAT PREFERENCE SHALL BE GIVEN TO LOCALLY PRODUCED FEEDSTOCKS WHERE ECONOMICALLY VIABLE.**

x x x

(q) *Feedstock* - shall refer to **ANY RENEWABLE BIOLOGICAL MATERIAL USED IN THE PRODUCTION OF BIOFUELS, INCLUDING BUT NOT LIMITED TO** molasses, sugarcane, cassava, coconut, jatropha, sweet sorghum, **PALM OIL, OTHER VEGETABLE OILS, ANIMAL FATS, AND WASTE-DERIVED OILS, WHETHER LOCALLY PRODUCED OR IMPORTED, SUBJECT TO COMPLIANCE WITH SUSTAINABILITY STANDARDS PRESCRIBED BY THE DOE;**

x x x

(z) ***SUSTAINABILITY STANDARDS* - SHALL REFER TO ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CRITERIA PRESCRIBED BY THE DOE, IN COORDINATION WITH RELEVANT AGENCIES, TO ENSURE THAT THE PRODUCTION, SOURCING, AND USE OF BIOFUEL FEEDSTOCKS MINIMIZE ADVERSE ENVIRONMENTAL IMPACTS AND COMPLY WITH APPLICABLE LAWS AND INTERNATIONALLY RECOGNIZED BEST PRACTICES;**

(aa) *WTO* - shall refer to the World Trade Organization.”

SEC. 4. Section 3 of Republic Act No. 9367 is hereby amended as follows:

“SEC. 5. Mandatory Use of Biofuels. – Pursuant to the above policy, it is hereby mandated that all liquid fuels for motors and engines sold in the Philippines

shall contain biofuels components **DERIVED FROM RENEWABLE FEEDSTOCKS, WHETHER DOMESTIC OR IMPORTED**, as follows:

5.1 Within two years from the effectivity of this Act, at least five percent (5%) bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country; subject to requirement that all bioethanol blended gasoline shall contain a minimum of five percent (5%) bioethanol fuel by volume Provided, that ethanol blend conforms to PNS.

5.2 Within four years from the effectivity of this Act, the NBB created under this Act is empowered to determine the feasibility thereafter recommend to DOE to mandate a minimum of ten percent (10%) blend of bioethanol by volume into all gasoline fuel distributed and sold by each and every oil company in the country.

[In the event of supply shortage of locally-produced bioethanol during the four-year period, oil companies shall be allowed to import bioethanol but only to the extent of the shortage as may be determined by **NBB**]

5.3 Within three months from the effectivity of this Act, a minimum of one percent (1%) biodiesel by volume shall be blended into all diesel engine fuels sold in the country: Provided That the biodiesel blend conforms to PNS for biodiesel.

Within two years from the effectivity of this Act, the NBB created under this Act is empowered to determine the feasibility and thereafter recommend to DOE to mandate a minimum of two percent (2%) blend of biodiesel by volume which may be increased taking into account considerations including but not limited to domestic supply and availability of [locally-sourced] biodiesel component.

SEC. 5. A new section is hereby inserted after Section 5 of Republic Act No. 9368 to read as follows:

“SEC. 5-A. FEEDSTOCK NEUTRALITY AND SUPPLY DIVERSIFICATION. IT IS HEREBY DECLARED THE POLICY OF THE STATE TO ADOPT A FEEDSTOCK-NEUTRAL APPROACH IN THE PRODUCTION OF BIOFUELS IN ORDER TO:

(A) ENSURE A STABLE, ADEQUATE, AND COST-EFFICIENT SUPPLY OF BIOFUELS;

(B) PROMOTE COMPETITION, INNOVATION, AND EFFICIENCY IN THE BIOFUELS INDUSTRY;

(C) AVOID DISTORTIONS IN DOMESTIC AGRICULTURAL MARKETS, INCLUDING UNDUE UPWARD PRESSURE ON THE PRICES OF COCONUT OIL AND OTHER FOOD COMMODITIES; AND

(D) BALANCE THE INTERESTS OF CONSUMERS, ENERGY SECURITY, AGRICULTURAL STAKEHOLDERS, AND ENVIRONMENTAL SUSTAINABILITY.

FOR THIS PURPOSE, THE DOE SHALL ALLOW THE USE OF ANY RENEWABLE FEEDSTOCK, WHETHER LOCALLY PRODUCED OR IMPORTED, SUBJECT TO COMPLIANCE WITH ITS SUSTAINABILITY STANDARDS.”

SEC. 6. Section 6 of Republic Act No. 9367 is hereby amended as follows:

“SEC. 6. Incentive Scheme – To encourage investments in the production, distribution and use of locally-produced biofuels at and above the minimum mandated blends, and without prejudice to enjoying applicable incentives and benefits under existing laws, rules and regulations, the following additional incentives are hereby provided under this Act.

x x x

b) Value Added Tax

The sale of raw material used in the production of biofuels such as, but not limited to, coconut, jatropha, sugarcane, cassava, corn, sweet sorghum, **AND OTHER SUITABLE VEGETABLE OILS OR OIL-BEARING CROPS, WHETHER LOCALLY PRODUCED OR IMPORTED**, shall be exempt from the value added tax.

x x x

d) Financial Assistance

Government financial institutions, such as the Development Bank of the Philippines, Land Bank of the Philippines, Quedancor and other government institutions providing financial services shall, in accordance with and to the extent by the enabling provisions of their respective charters or applicable laws, accord high priority to extend financing to Filipino citizens or entities, at least

sixty percent (60%) of the capital stock of which belongs to citizens of the Philippines that shall engage in activities involving production storage, handling and transport of biofuel feedstock, including the blending of biofuels, **INCLUDING FEEDSTOCK THAT MAY BE SOURCED EITHER DOMESTICALLY OR FROM ABROAD**, with petroleum, as certified by the DOE. **IN EXTENDING SUCH FINANCING, PREFERENCE SHALL BE GIVEN TO PROJECTS THAT GENERATE VALUE-ADDING ACTIVITIES IN THE COUNTRYSIDE AND PROVIDE STABLE MARKETS FOR DOMESTIC FARMERS.”**

SEC. 7. Section 7 of Republic Act No. 9367 is hereby amended as follows:

“SEC. 7. Powers and Functions of the DOE. – In addition to its existing powers and functions, the DOE is hereby mandated to take appropriate and necessary actions to implement the provisions of this Act. In pursuance thereof, it shall within three months from effectivity of this Act:

x x x

H) PRESCRIBE AND ENFORCE SUSTAINABILITY STANDARDS APPLICABLE TO THE PRODUCTION, SOURCING, AND USE OF BIOFUEL FEEDSTOCKS, WHETHER LOCALLY PRODUCED OR IMPORTED;

I) PRESCRIBE AND PERIODICALLY REVIEW ALLOWABLE FEEDSTOCKS FOR BIOFUEL PRODUCTION, INCLUDING RENEWABLE FEEDSTOCKS WHETHER LOCALLY PRODUCED OR IMPORTED, AND ENSURE COMPLIANCE WITH APPLICABLE SUSTAINABILITY STANDARDS AND QUALITY REQUIREMENTS; AND

J) ADJUST BLENDING MANDATES AND IMPLEMENTATION TIMELINES, AS MAY BE NECESSARY, TAKING INTO CONSIDERATION SUPPLY AVAILABILITY, PRICE IMPACT, PUBLIC INTEREST, AND COMPLIANCE WITH SUSTAINABILITY STANDARDS.”

SEC. 8. Section 9 of Republic Act No. 9367 is hereby amended as follows:

“SEC. 9. *Powers and Functions of the NBB.* – The NBB shall have the following powers and functions:

a) Monitor the implementation of, and evaluate for further expansion, the National Biofuel Program (NBP) prepared by the DOE pursuant to Section 7 (b) of this Act;

b) Monitor the supply and utilization of biofuels and biofuel-blends and recommend appropriate measures in cases of shortage of feedstock supply for approval of the Secretary of DOE. For this purpose:

1. The NBB is empowered to require all entities engaged in the production, blending and distribution of biofuels to submit reports of their actual and projected sales and inventory of biofuels, in a format to be prescribed for this purpose; and

2. The NBB shall determine **THE availability AND COST of BIOFUELS AND BIOFUEL FEEDSTOCKS, WHETHER LOCALLY PRODUCED OR IMPORTED**, and recommend to DOE the appropriate level or percentage of [locally-sourced] biofuels to the total annual volume of gasoline and diesel sold and distributed in the country.

c) Review and recommend to DOE the adjustment in the minimum mandated biofuel blends **TAKING INTO ACCOUNT THE AVAILABILITY, PRICE AND SUSTAINABILITY OF BIOFUELS AND THEIR FEEDSTOCKS FROM BOTH DOMESTIC AND FOREIGN SOURCES**: *Provided*, That the minimum blend may be decreased only within the first four years from the effectivity of this Act. Thereafter, the minimum blends of the five percent (5%) and two percent (2%) for bioethanol and biodiesel respectively, shall not be decreased;

d) Recommend to DOE a program that will ensure the availability of alternative fuel technology for vehicles, engine and parts in consonance with the mandated minimum biofuel-blends, and to maximize the utilization of biofuels including other biofuels;

e) Recommend to DOE the use of biofuel-blends in air transport taking into account safety and technical viability; and

f) Recommend specific actions to be executed by the DOE and other appropriate government agencies concerning the implementation of the NBP, including its economic, technical, environment, social impact **AND THE EFFECTS OF BIOFUEL FEEDSTOCK SOURCING ON FOOD PRICES, AGRICULTURAL PRODUCERS AND OVERALL CONSUMER WELFARE.**”

SEC. 9. A new section is hereby inserted after Section 11 to read as follows:

“SEC. 11-A. SAFEGUARDS FOR FOOD SECURITY AND RURAL LIVELIHOODS. IN RECOMMENDING THE LEVEL AND COMPOSITION OF BIOFUEL BLENDS, THE NBB AND THE DOE SHALL:

(A) ENSURE THAT MANDATED DEMAND FOR BIOFUELS DOES NOT CREATE UNDUE UPWARD PRESSURE ON PRICES OF STAPLE FOOD COMMODITIES AND COOKING OILS;

(B) CONSULT REGULARLY WITH THE DA, PHILIPPINE COCONUT AUTHORITY AND ALL OTHER CONCERNED AGENCIES ON THE IMPACTS OF BIOFUEL FEEDSTOCK DEMAND ON FARMERS AND FISHERFOLK; AND

(C) FAVOR LOWER-CARBON AND MORE COST-EFFECTIVE FEEDSTOCKS AND BIOFUELS, WHETHER LOCAL OR IMPORTED, CONSISTENT WITH ENVIRONMENTAL AND CONSUMER PROTECTION OBJECTIVES.”

SEC. 10. *Implementing Rules and Regulations.* – The DOE, along with other relevant agencies and in consultation with stakeholders, shall promulgate the rules and regulations for the proper implementation of this Act within ninety (90) days from the effectivity of this Act.

SEC. 11. *Separability Clause.* – If any provision of this Act shall be deemed unconstitutional or invalid, the other provisions not affected there shall remain in force and effect.

SEC. 12. *Repealing Clause.* – All Acts, Presidential Decrees, Executive Orders and Administrative Orders, Rules and Regulations and other such issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SEC. 13. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,