

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
Third Regular Session



COMMITTEE REPORT NO. 1383

Submitted by the Committees on Climate Change, Appropriations, and Ways and Means on January 30, 2025

Re: House Bill No. 11375

Recommending its approval in substitution of House Bills Numbered 7705 and 10633.

Sponsors: Representatives Edgar M. Chatto, Stella Luz A. Quimbo, and Joey Sarte Salceda

Mr. Speaker:

The Committees on Climate Change, Appropriations, and Ways and Means to which were referred House Bill No. 7705, introduced by Representative Edgar M. Chatto, entitled:

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

and House Bill No. 10633, introduced by Representative Marissa “Del Mar” P. Magsino, entitled:

“AN ACT TO PROMOTE A 'LOW CARBON ECONOMY' BY ESTABLISHING THE GREENHOUSE GAS EMISSION CAP, EMISSION REDUCTION OFF-SETTING, CREDITING, AND TRADE SYSTEM IN THE PHILIPPINES TO REDUCE GREEN HOUSE EMISSIONS AND MITIGATE THE ADVERSE EFFECTS OF CLIMATE CHANGE”

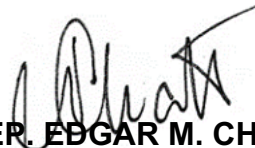
have considered the same and recommend that the attached House Bill No. 11375, entitled:

“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”**

be approved in substitution of House Bills Numbered 7705 and 10633 with Representatives Edgar M. Chatto, Marissa “Del Mar” P. Magsino, Joey Sarte Salceda, Stella Luz A. Quimbo Anna Victoria Veloso-Tuazon, Jose Manuel F. Alba, Allen Jesse C. Mangaoang, Christian Tell A. Yap, Wilter Y. Palma, Zia Alonto Adiong, Jocelyn Sy Limkaichong, Steve Chiongbian Solon, Mark O. Go, Ferjenel G. Biron, Ambrosio C. Cruz, Jr., Christian S. Unabia, Laarni Lavin Roque, Sonny “SL” L. Lagon, Florida “Rida” P. Robes, Faustino Michael Carlos T. Dy III, Gus S. Tambunting, Alfelito “Alfel” M. Bascug, Milagros Aquino-Magsaysay, Rufus B. Rodriguez, Luisa Lloren Cuaresma, Rodolfo “Ompong” M. Ordanes, Michael B. Gorriceta, Stephen James T. Tan, Angelica Natasha Co, Bai Dimple I. Mastura, Wilfrido Mark M. Enverga, and Juliet Marie De Leon Ferrer, as authors thereof.

Respectfully submitted,



REP. EDGAR M. CHATTO

Chairperson

Committee on Climate Change



REP. STELLA LUZ A. QUIMBO

Senior Vice Chairperson

Committee on Appropriations



REP. JOEY SARTE SALCEDA

Chairperson

Committee on Ways and Means

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

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HOUSE BILL NO. 11375
(In substitution of House Bills Numbered 7705 and 10633)

INTRODUCED BY REPRESENTATIVES EDGAR M. CHATTO, MARISSA “DEL MAR” P. MAGSINO, STELLA LUZ A. QUIMBO, JOEY SARTE SALCEDA, ANNA VICTORIA VELOSO-TUAZON, JOSE MANUEL F. ALBA, ALLEN JESSE C. MANGAOANG, CHRISTIAN TELL A. YAP, WILTER Y. PALMA, ZIA ALONTO ADIONG, JOCELYN SY LIMKAICHONG, STEVE CHIONGBIAN SOLON, MARK O. GO, FERJENEL G. BIRON, AMBROSIO C. CRUZ, JR., CHRISTIAN S. UNABIA, LAARNI LAVIN ROQUE, SONNY “SL” L. LAGON, FLORIDA “RIDA” P. ROBES, FAUSTINO MICHAEL CARLOS T. DY III, GUS S. TAMBUNTING, ALFELITO “ALFEL” M. BASCUG, MILAGROS AQUINO-MAGSAYSAY, RUFUS B. RODRIGUEZ, LUISA LLOREN CUARESMA, RODOLFO “OMPONG” M. ORDANES, MICHAEL B. GORRICETA, STEPHEN JAMES T. TAN, ANGELICA NATASHA CO, BAI DIMPLE I. MASTURA, WILFRIDO MARK M. ENVERGA, AND JULIET MARIE DE LEON FERRER

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

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

3 **ARTICLE 1**
4 **General Provisions**

5 **SECTION 1. Short Title.** – This Act shall be known as the “Low Carbon Economy
6 Investment Act.”

7 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to
8 promote sustainable development and environmental stewardship through the
9 establishment of a low-carbon economy. This Act aims to achieve the country's national
10 climate targets by instituting a comprehensive carbon emission pricing framework and
11 implementing mechanisms that drive greenhouse gas (GHG) emissions reduction,
12 enhance climate resilience, and foster sustainable economic growth.

1 In pursuit of these goals, the State shall:

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

4
5 (b) Develop and enforce sectoral decarbonization pathways and emission
6 reduction targets in alignment with international climate agreements, particularly the Paris
7 Agreement;

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

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

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

14 (f) Establish robust compliance mechanisms and incentives to encourage private
15 sector participation in decarbonization efforts; and

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

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

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

21
22 (a) *Carbon emission pricing framework* refers to a system for setting a price on carbon
23 emissions to incentivize reductions in GHG emissions through market-based
24 mechanisms such as carbon taxes, emissions trading systems, and carbon offset
25 mechanisms;

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

30 (c) *Covered enterprises* refer to large and medium-sized enterprises whose emissions
31 exceed a specific threshold set by the Climate Change Commission (CCC). These
32 enterprises are required to prepare and implement decarbonization plans in
33 accordance with this Act;

- (d) *Decarbonization 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, as determined by the CCC;
- (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.

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 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 data 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 as the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA); 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.

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

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

- 10 (a) DENR;
- 11 (b) DTI;
- 12 (c) SEC;
- 13 (d) DOTr;
- 14 (e) DA;
- 15 (f) PSA; and
- 16 (g) DOE.

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

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

30 By institutionalizing these systems and clearly defining the roles and
31 responsibilities of various agencies and stakeholders, the Philippines aims to create a
32 robust framework for managing and reducing GHG emissions, thereby contributing to
33 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.

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

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

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

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

16 (a) The DENR is mandated to work with the CCC to monitor and report mitigation
17 outcomes in the forestry, waste, and industry sectors. The DENR shall implement
18 conservation, restoration, and waste management practices that contribute to
19 GHG emission reductions and ensure these are accurately accounted for in the
20 national climate action framework;

21 (b) The DOE is mandated to coordinate with the CCC to monitor and report mitigation
22 outcomes in the energy sector. The DOE shall implement and oversee energy
23 efficiency and renewable energy projects that contribute to GHG emission
24 reductions and ensure these are accurately accounted for in the national climate
25 action framework;

26 (c) The DOTr is mandated to collaborate with the CCC to monitor and report mitigation
27 outcomes in the transport sector. The DOTr shall implement and oversee
28 transportation initiatives that contribute to GHG emission reductions and ensure
29 these are accurately accounted for in the national climate action framework; and
30

31 (d) The DA is mandated to collaborate with the CCC to monitor and report mitigation
32 outcomes in the agriculture sector. The DA shall implement and oversee
33 agricultural practices that contribute to GHG emission reductions and ensure these
34 are accurately accounted for in the national climate action framework.
35

36 **SEC. 13. *Climate Change Expenditure Tagging as part of MRV.*** – The Climate
37 Change Expenditure Tagging (CCET) is hereby institutionalized as an audit tool to track
38 climate adaptation and mitigation projects and programs. The CCET shall be jointly
39 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 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) Representatives from the academe;
- (w) Representatives from each of the covered sectors; and
- (x) Representatives from 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 Tourism Solutions – Develop and promote nature-based tourism solutions that align with climate goals. This includes 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 and climate-smart

1 infrastructure projects. Urban planning should prioritize sustainability and
2 resilience;

3 (i) Inclusion of Indigenous Peoples' Needs and Rights – Ensure the needs and rights
4 of indigenous peoples are addressed, applying a gender lens in the NDC
5 implementation process. Policies should promote equity and social inclusion; and

6 (j) Representation of Youth Interests – Represent youth interests and ensure
7 intergenerational justice in policies and measures. Youth engagement should be
8 a cornerstone of climate initiatives.

9 **ARTICLE 4**
10 **INTERNATIONAL TRANSFER OF MITIGATION OUTCOMES**
11

12 **SEC. 17. *Mandate to the Climate Change Commission.*** – The CCC is hereby
13 mandated to establish the necessary protocols, procedures, and systems to effectively
14 implement the mechanisms for ITMOs and other Article 6 transactions, including:

15 (a) System for Issuance of Letters of Authority (LoA). – The CCC shall be responsible
16 for issuing LoA to project developers seeking to engage in ITMOs. This LoA shall
17 serve as official government approval for the transfer of carbon credits under
18 Article 6 mechanisms, ensuring compliance with national and international
19 regulations;

20 (b) System for Corresponding Adjustments. – The CCC shall establish a system for
21 making corresponding adjustments to the national GHG inventory and mitigation
22 outcomes to reflect the transfer of ITMOs. This system shall prevent double
23 counting of emission reductions and ensure the integrity of the country's NDC
24 commitments. Carbon credits based on carbon rights granted by the government
25 to tenure holders for lands of the public domain, as well as those generated in
26 public lands and ancestral domain lands, shall not be claimed by the government
27 as part of its NDC accomplishment or must be removed from government
28 accounts. Such credits must be excluded from government accounts to prevent
29 double-counting and ensure they remain available for market transactions.
30 Corresponding adjustments shall be reflected dynamically and in real time into the
31 NDC ITMOs accounts in the NICCDIES and shall be made available to the public.
32 This provision aims to uphold the integrity of private and indigenous carbon
33 projects and their contributions to global climate mitigation efforts;

34 (c) *Optimizing International Climate Finance and NDC Achievement.* – The CCC shall
35 coordinate with relevant agencies to develop a strategy that optimizes both the
36 generation of climate finance through ITMOs and the achievement of the NDC
37 objectives. The CCC shall formulate a comprehensive mitigation strategy to guide
38 government actions in meeting NDC targets; and
39

(d) *Enabling Private Sector Engagement in Carbon Markets.* – The CCC shall facilitate the participation of the private sector in carbon markets by enabling private entities to generate and sell carbon credits from their mitigation activities. The government shall focus its investments on areas outside the opportunities available to the private sector, such as investments in protected areas for Reducing Emissions from Deforestation and Forest Degradation Plus initiatives. This approach ensures that government efforts are complementary to private sector actions, thereby maximizing the overall impact on national mitigation outcomes.

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.

1 (e) Sectors with Wastes-related emissions:

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

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

10 **SEC. 19. *Mandate for Covered Enterprises.*** – All covered enterprises shall be
11 mandated to prepare a decarbonization plan aligned with the objective to limit global
12 temperature rise to below two degrees Celsius (2°C) above pre-industrial levels, with the
13 goal of achieving net-zero emissions by 2050.

14 The decarbonization plan shall outline specific, measurable, and time-bound
15 carbon reduction pathway with milestones and targets from the effectivity of this law
16 towards 2050. These milestones shall include annual targets to ensure a progressive
17 reduction in GHG emissions. The decarbonization pathway must be consistent with
18 national decarbonization pathways and sector-specific targets established under this Act
19 and shall incorporate the latest climate science and technological advancements to
20 ensure effectiveness and relevance.

21 The decarbonization plan shall include the following components:

22 (a) Emissions Baseline and Projections – A detailed inventory of current GHG emissions
23 using globally acceptable GHG inventory standards and future emissions projections
24 under a business-as-usual scenario. The business-as-usual scenario represents the
25 projected emissions trajectory if no additional mitigation measures are implemented
26 beyond those already in place.

27 (b) Emissions Reduction Strategies – A comprehensive strategy for reducing direct and
28 indirect emissions, including the implementation of energy efficiency measures,
29 adoption of renewable energy, and other low-carbon technologies. This shall include:

- 30 i. Reduction Strategies within the Value Chain – Measures and initiatives to reduce
31 emissions within the enterprise's own operations and supply chain. This includes
32 implementing energy efficiency improvements in production processes and
33 facilities, transitioning to renewable energy sources for power and heating needs,
34 enhancing waste management practices to minimize methane emissions, and
35 reducing emissions from logistics and transportation through fleet optimization and
36 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 option 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.

(c) 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.

SEC. 20. *Submission and Approval.* – Covered enterprises shall submit their decarbonization pathways to the DENR for review and approval within one year from the effectivity of this law. The DENR shall assess the pathways for compliance with the established national and sectoral decarbonization targets and provide feedback for necessary revisions.

SEC. 21. Periodic Update of Decarbonization Plan. – 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 DECARBONIZATION FUND

SEC. 22. Emissions Allowance. – The CCC shall be responsible for determining and allocating the permitted emissions, known as the emissions allowance, for each sector and for each covered enterprise within that sector. The emissions allowance shall be established annually based on the sectoral consolidated decarbonization pathways of covered enterprises as provided in Section 19.

1 (a) Determination of Sectoral Emissions Allowance – The CCC shall determine the
2 annual emissions allowance for each sector by consolidating and analyzing the
3 decarbonization pathways submitted by all covered enterprises within the sector.
4 This includes evaluating the sector's overall emissions reduction targets,
5 considering advancements in climate science and international commitments, and
6 coordinating with relevant stakeholders to ensure the allowances are ambitious
7 and achievable.

8 (b) Allocation of Emissions Allowance to Covered Enterprises – The CCC shall
9 allocate the annual emissions allowance to each covered enterprise within the
10 sector, proportionate to their contribution to the sector's total emissions and their
11 potential for emissions reduction, ensuring alignment with sectoral and national
12 decarbonization targets.

13 (c) Review and Adjustment of Emissions Allowance – The CCC shall regularly review
14 and adjust the emissions allowances based on new data, technological
15 advancements, and changes in climate policy. This involves collecting and
16 analyzing updated emissions data and progress reports from all covered
17 enterprises, incorporating feedback from stakeholders, and issuing revised
18 emissions allowances and guidelines to maintain the effectiveness and relevance
19 of decarbonization strategies.

20 **SEC. 23. *Determination of Excess Emissions and Pricing.*** – Any GHG emissions
21 by a covered enterprise that exceed the annual emissions allowance for a given year shall
22 be subject to a carbon price set by the CCC. The following provisions shall apply:

23 (a) *Determination of Excess Emissions* – The excess emissions of a covered
24 enterprise shall be calculated as the difference between the actual GHG emissions
25 for the year and the allocated annual emissions allowance of the same year.

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

31 **SEC. 24. *Methodology of Pricing Carbon Emissions.*** – The methodology for pricing
32 carbon emissions shall be anchored on objective and reasonable bases. The total carbon
33 price shall be based on two principal cost components:

34
35 (a) *Mitigation Cost Component* – The price of carbon shall reflect the cost of
36 mitigating carbon emissions, specifically the cost associated with the removal
37 of one metric tonne of CO₂ or its equivalent from the atmosphere. This
38 component ensures that the carbon price covers the expenses related to
39 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. 25. *Decarbonization Fund.* – Covered enterprises shall establish a decarbonization 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 activities.

SEC. 26. *Options for Allocation of Decarbonization Fund.* – Covered enterprises shall be given the option to allocate its own decarbonization fund into the following options:

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

(b) *Investment in Viable Business Models Beyond the Value Chain* – Covered enterprises may allocate decarbonization 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 Decarbonization Fund and Obligations* – Covered enterprises may transfer their decarbonization fund and obligations to third parties, including:

i) *Government Allocation* – Transfer of funds to the national government for allocation for decarbonization and climate resilience programs, projects, and activities such as those financed by the People's Survival Fund.

ii) *Purchase of Allowance or Carbon Offsets* – Purchase of excess allowance from obliged 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. 27. *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 decarbonization 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. 28. Annual Compliance Report. – All covered enterprises are required to submit an Annual Compliance Report to the DENR. 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.

(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 decarbonization fund.

(d) *Allocation of Decarbonization Fund* – A comprehensive account of how the decarbonization fund was allocated, detailing investments in emissions reduction activities, both within and beyond the value chain.

1 (e) *Future Plans* – Outline of planned emissions reduction activities and investments
2 for the upcoming year, aligned with the enterprise's decarbonization pathway.

3 **SEC. 29. *Third-Party Audit Report.*** – Covered enterprises are required to secure
4 a third-party audit report to accompany their Annual Compliance Report. The third-party
5 audit shall include:

6 (a) *Verification and Compliance Assessment* – Verify the accuracy of the emissions
7 data, reductions achieved, allocation of decarbonization fund reported by the
8 covered enterprise, and assess the enterprise's compliance with the emissions
9 allowance.

10 (b) *Audit Findings* – Include detailed findings and recommendations to enhance the
11 enterprise's compliance with its decarbonization pathway.

12 **SEC. 30. *Role of DENR in Compliance Monitoring.*** – The DENR shall be
13 responsible for monitoring the compliance of covered enterprises for their submission of
14 Annual Compliance Report and third-party audit report as specified in this Act.

15 **SEC. 31. *Development and Implementation of Verification Standards and***
16 ***Methodologies for Emissions Reporting and Compliance.*** – The CCC shall develop and
17 implement comprehensive standards, procedures, and methodologies for the verification
18 of emissions reporting and compliance with the provisions of this law by covered
19 enterprises. These standards will guide third-party verifiers in their verification processes
20 and in the issuance of statements of attestation.

21 The established standards and methodologies shall:

22 (a) Guarantee the integrity, accuracy, and reliability of reported emissions data and
23 the compliance verification process.

24 (b) Include specific criteria and practical approaches for both verifying emissions
25 data and assessing compliance with this Act.

26 **SEC. 32. *Development and Administration of Accreditation Process for Third-Party***
27 ***Verifiers.*** – The CCC is hereby vested with the authority to develop procedures and
28 administer the accreditation of independent verifiers. The CCC shall:

29 (a) *Develop Accreditation Procedures* – Establish clear and comprehensive
30 procedures for the accreditation of third-party verifiers. These procedures shall
31 be designed to ensure that third-party verifiers meet the stringent standards
32 required for the verification of emissions reporting and compliance
33 assessments.

34 (b) *Administer the Accreditation Process* – Implement the entire accreditation
35 process from application to approval, ensuring that all third-party verifiers

1 undergo a rigorous evaluation based on the established procedures and
2 standards.
3

- 4 (c) *Ensure Compliance with Accreditation Standards* – Regularly review the
5 performance of accredited third-party verifiers and ensure they are compliant
6 to the latest version of the accreditation standards.

7
8 **ARTICLE 8**
9 **PENALTIES FOR NON-COMPLIANCE**
10

11 **SEC. 33. *Penalties for Non-Compliance.*** – Covered enterprises that fail to comply
12 with the provisions of this Act shall be subject to the following penalties:

- 13 (a) *Payment of Penalties* – Covered enterprises that exceed their emissions allowance
14 and fail to allocate the required funds to their decarbonization fund shall pay a
15 penalty amounting to twice the estimated amount of the decarbonization fund that
16 should have been allocated.

- 17 (b) *Failure to Submit Reports* – Covered enterprises that fail to submit their Annual
18 Compliance Report or third-party audit report by the designated deadlines shall be
19 subject to a penalty determined by the DENR.

- 20 (c) *Revocation of Business Permit* – Covered enterprises that commit violations of the
21 provisions of this Act, for three (3) consecutive years, including failure to submit
22 required reports and failure to meet emissions reduction targets, shall be subject
23 to the revocation of their business permit.

- 24 (d) *Authority to Impose Penalties* – The DENR shall have the authority to impose the
25 penalties specified in this section on covered enterprises found to be non-
26 compliant with the provisions of this Act.

27 **ARTICLE 9**
28 **ENABLING MECHANISMS**

29 **SEC. 34. *Access to Carbon Markets.*** – The CCC shall provide technical assistance
30 to covered enterprises to facilitate access to carbon markets. This assistance shall
31 include:

- 32 (a) *Linkage to Potential Buyers* – The CCC shall facilitate connections between
33 covered enterprises and potential buyers of carbon credits to support the sale and
34 trading of carbon credits.

- 35 (b) *Technical Support for Registration* – The CCC shall provide technical support for
36 the registration of carbon projects in recognized carbon certification programs,

1 ensuring that enterprises meet the necessary standards and requirements to
2 participate in carbon markets.
3

- 4 (c) *Tax Deductibility of Certification Expenses* – Carbon certification expenses shall
5 be considered allowable deductions from gross income in accordance with Section
6 34 of the National Internal Revenue Code of 1997, as amended.

7 **SEC. 35. *Tax Incentives.*** – Investments in emerging low-carbon technologies by
8 covered enterprises shall be eligible for income tax holidays and enhanced deductions
9 on research and development expense in accordance with Title XIII of the National
10 Internal Revenue Code of 1997, as amended by Republic Act No. 12066, otherwise
11 known as the “Corporate Recovery and Tax Incentives for Enterprises to Maximize
12 Opportunities for Reinvigorating the Economy (CREATE MORE) Act”.

13 **SEC. 36. *Facilitation of Access to International Climate Finance.*** – The CCC shall
14 facilitate access to international climate finance to support the implementation of
15 decarbonization pathways and related initiatives by covered enterprises. This includes
16 identifying funding opportunities, assisting in the preparation of funding proposals, and
17 ensuring compliance with international funding requirements.

18 **SEC. 37. *Other Support Function of CCC.*** – The CCC shall be responsible for
19 consolidating the reduction strategies and roadmaps of covered enterprises, developing
20 and maintaining an online registry, creating standardized templates for GHG emissions
21 accounting and reporting, facilitating national and sectoral decarbonization strategies,
22 and facilitating access to international climate finance and mechanisms for trading ITMOs
23 under the Paris Agreement. The mandates and responsibilities of the CCC shall include
24 the following:
25

- 26 (a) *Creation of Templates for GHG Emissions Accounting and Reporting* – The CCC
27 shall develop and provide standardized templates for the accounting and reporting
28 of GHG emissions baselines, adopting globally acceptable methodologies. These
29 templates shall ensure consistency, accuracy, and transparency in the reporting
30 process and shall be mandatory for all covered enterprises.

- 31 (b) *Consolidation of Reduction Strategies and Roadmaps* – The CCC shall be
32 responsible for collecting and consolidating the decarbonization pathways
33 submitted by all covered enterprises. This includes assessing and validating the
34 individual pathways to ensure alignment with national decarbonization targets and
35 sector-specific goals.

- 36 (c) *Development and Maintenance of an Online Registry* – The CCC shall establish
37 and maintain a comprehensive online registry to be integrated in NICCDIES, that
38 serves as a centralized database for all decarbonization pathways and related
39 information. The online registry shall:
40

- 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. 38. *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. 39. *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. 40. *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. 41. *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. 42. *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.

1 **SEC. 43. *Separability Clause.*** – If for any reason any section or provision of this
2 Act is declared by the court as unconstitutional or invalid, the other sections or provisions
3 thereof shall not be affected thereby.

4 **SEC. 44. *Repealing Clause.*** – All laws, ordinances, rules, and regulations, and
5 other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed
6 or modified accordingly.

7 **SEC. 45. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication
8 in the *Official Gazette* or in a newspaper of general circulation.

9 *Approved,*

FACT SHEET

House Bill No. 11375

(In substitution of House Bills Numbered 7705 and 10633)

(As approved on 06 August 2024)

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

Introduced by: REPRESENTATIVES EDGAR M. CHATTO, MARISSA “DEL MAR” P. MAGSINO, STELLA LUZ A. QUIMBO, JOEY SARTE SALCEDA, ANNA VICTORIA VELOSO-TUAZON, JOSE MANUEL F. ALBA, ALLEN JESSE C. MANGAOANG, CHRISTIAN TELL A. YAP, WILTER Y. PALMA, ZIA ALONTO ADIONG, JOCELYN SY LIMKAICHONG, STEVE CHIONGBIAN SOLON, MARK O. GO, FERJENEL G. BIRON, AMBROSIO C. CRUZ, JR., CHRISTIAN S. UNABIA, LAARNI LAVIN ROQUE, SONNY “SL” L. LAGON, FLORIDA “RIDA” P. ROBES, FAUSTINO MICHAEL CARLOS T. DY III, GUS S. TAMBUNTING, ALFELITO “ALFEL” M. BASCUG, MILAGROS AQUINO-MAGSAYSAY, RUFUS B. RODRIGUEZ, LUISA LLOREN CUARESMA, RODOLFO “OMPONG” M. ORDANES, MICHAEL B. GORRICETA, STEPHEN JAMES T. TAN, ANGELICA NATASHA CO, BAI DIMPLE I. MASTURA, WILFRIDO MARK M. ENVERGA, AND JULIET MARIE DE LEON FERRER

*Committee Referral: **COMMITTEE ON CLIMATE CHANGE (PRIMARY)***

*Committee Chairperson: **HON. EDGAR M. CHATTO***

*Committee Referral: **COMMITTEE ON WAYS AND MEANS (SECONDARY)***

*Committee Chairperson: **HON. JOEY SARTE SALCEDA***

*Committee Referral: **COMMITTEE ON APPROPRIATIONS (SECONDARY)***

*Committee Senior Vice Chairperson: **HON. STELLA LUZ A. QUIMBO***

OBJECTIVE:

- To achieve the country's climate targets by instituting a comprehensive carbon emission pricing framework and implementing mechanisms that drive greenhouse gas (GHG) emissions reduction, enhance climate resilience, and foster sustainable economic growth.

KEY PROVISIONS:

- Institutionalizes the Philippine Greenhouse Gas Inventory System (PGHGIS) to manage and report GHG inventories across multiple levels, including national,

community, entity, facility, and project levels; and mandates the Climate Change Commission (CCC) as the lead agency for the implementation of PGHGIS;

- Mandates the CCC to the following:
 - a) Engage with the private sector and develop comprehensive national and sectoral decarbonization strategies and roadmaps;
 - b) Collaborate with the DILG and Philippine Atmospheric, Geophysical and Astronomical Services Administration to formulate and institutionalize the Local Climate Change Action Plan Quality Assessment Review System (LCCAP QAR) as part of the Monitoring, Reporting, and Verification (MRV) system to provide feedback mechanisms for the local government units in improving their LCCAPs, ensuring responsiveness to local hazards and socio-economic transformation towards low-carbon pathways;
 - c) As the lead agency in the development, implementation, monitoring, and evaluation of the Nationally Determined Contribution (NDC);
 - d) Establish the necessary protocols, procedures, and systems to effectively implement the mechanisms for Internationally Transferred Mitigation Outcomes (ITMOs) and other transactions under Article 6 of the Paris Agreement;
 - e) Determine and allocate permitted emissions, known as emissions allowance, for each sector and for each covered enterprise within that sector;
 - f) Coordinate with relevant government agencies and private sector stakeholders to develop a decarbonization taxonomy to guide the companies to allocate their decarbonization fund towards sustainable investments;
 - g) Develop and implement comprehensive standards, procedures, and methodologies for the verification of emissions reporting and compliance by the covered enterprises with the provisions of the Act; and to develop procedures and administer the accreditation of independent verifiers;
 - h) Provide technical assistance to covered enterprises in facilitating access to carbon markets;
 - i) Facilitate access to international climate finance to support the implementation of decarbonization pathways and related initiatives by covered enterprises; and to consolidate reduction strategies and roadmaps of covered enterprises, develop and maintain an online registry, create standardized templates for GHG emissions accounting and reporting, facilitate national and sectoral decarbonization strategies, and facilitate access to international climate finance and mechanisms for trading ITMOs under the Paris Agreement; and
 - j) Determine the additional positions required, consistent with its organizational structure and staffing pattern, subject to the evaluation and approval of the Department of Budget and Management (DBM);
- Establishes the MRV system to track mitigation outcomes and the achievement of the NDC;

- Institutionalizes the Climate Change Expenditure Tagging (CCET) as an audit tool to track climate adaptation and mitigation projects and programs which will be jointly administered by the CCC, DBM, Department of the Interior and Local Government, and other relevant agencies, with the Commission on Audit producing audit reports on climate expenditure;
- Requires the covered enterprises 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; and to submit the decarbonization plan to the Department of Environment and Natural Resources (DENR) for review and approval;
- Determines the excess GHG emissions by a covered enterprise and imposes carbon price equivalent to each metric tonne of carbon dioxide equivalent emitted above the allowed limit;
- Provides the methodology for pricing carbon emissions based on mitigation cost component and preventative resilience cost component;
- Mandates the covered sectors to establish a decarbonization fund corresponding to the carbon price for excess emissions;
- Provides three options for covered enterprises for the allocation of their decarbonization fund: (i) reduction of emissions within the value chain; (ii) investment in viable business models beyond the value chain; and (iii) transfer of decarbonization funds and obligations;
- Requires all covered enterprises to submit an Annual Compliance Report to the DENR containing emissions baseline and reduction progress, reduction activities and outcomes, emissions allowance and excess emissions, allocation of decarbonization funds, and future plans; and to secure a third-party audit report to accompany their Annual Compliance Report;
- Provides for the penalties for the failure of the covered enterprises to comply with the provisions of the Act;
- Provides for the eligibility for income tax holidays and enhanced deductions on research and development expense for investments in emerging low carbon technologies by the covered enterprises;
- Appropriates the amount necessary for the implementation of the Act; and
- Requires the implementing agencies to submit an annual report to Congress on their progress in carrying out the provisions of the Act which shall be consolidated by the CCC for presentation to the appropriate Committee in Congress;

RELATED LAWS:

- Article II of the 1987 Philippine Constitution
- Republic Act No. 7160 – Local Government Code of 1991
- Republic Act No. 8424 – Tax Reform Act of 1997
- Republic Act No. 9729 – Climate Change Act of 2009
- Executive Order No. 174, s. 2014 – Institutionalizing the Philippine Greenhouse Gas Inventory Management and Reporting System
- Republic Act No. 10963 – Tax Reform for Acceleration and Inclusion (TRAIN)
- Republic Act No. 12066 – Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act