

## **Comments on House Bill No. 7705: Promoting a Low Carbon Economy and Establishing for this Purpose an Emission Trading System and Implementation Mechanism to Achieve National Climate Targets**

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In its Nationally Determined Contribution (NDC), communicated on 15 April 2021 in accordance with Decision 1/CP.21 UNFCCC, the Philippines committed to a projected GHG emissions reduction and avoidance of 75% for the period 2020 to 2030. Of the target, 2.71% is unconditional and 72.29% is conditional, covering GHG mitigation targets for the sectors of agriculture, wastes, industry, transport, and energy. This commitment is referenced against a projected business-as-usual cumulative economy-wide emission of 3,340.3 MtCO<sub>2</sub>e for the same period.

The ambitious NDC target is in tune with the sixth assessment report of the Intergovernmental Panel on Climate Change (IPCC), which presented a dire picture of intense climate-related risks if global warming remains poorly mitigated. The WMO manifested in its recent climate update that there is now a 66% chance that global warming may temporarily breach the 1.5 degrees Celsius mark (above pre-industrial levels) within the next 5 years.

HB 7705 is a good attempt to steer the bureaucracy and its institutional partners toward sustained and substantial climate change mitigation and adaptation initiatives. Tempering fossil fuel dependencies, promoting a low carbon economy, and scaling up financing and adaptation solutions are the prescribed courses of action moving forward.

A major weakness of the bill is the lack of elaboration on the proposed carbon trading system. Particular attention should be given to the dynamics between local and global carbon credit trade, and the respective grounding policy and implementation mechanisms required for each. The following are specific comments on the proposed bill:

- On Article 2, Sections 4 to 9: The Philippine Greenhouse Gas Inventory Management and Reporting System (PGHGIMRS), initially covered by EO 174 s 2014, will be

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institutionalized under the stewardship of the Climate Change Commission (CCC). Sectoral agencies, including DA, DOE, DENR, and DoTR, are to be tasked with leading GHG inventories per sector in collaboration with DOST, DOT, DPWH, DILG, PSA, LGUs, Academe, DTI, and SEC. As lead agency, the CCC is tasked to submit an annual report on the status of GHG monitoring. In the same light, NGAs and LGUs must conform to appropriate standards on annual recording and reporting. Sectoral and subnational annual reporting must also be institutionalized, with reports covering projections, assessments, and possible corrective actions. Reports can be expanded to cover CC and DRRM-related thematic reports for a given year.

- On Article 3, Section 10: The Philippines, through the CCC, shall communicate an NDC to the UNFCCC every 5 years. This provision implies that the NDC is a moving target, rather than a concrete longer-term commitment, The NDC must be a reflection of serious bureaucratic commitment to cut sectoral GHG emissions in the country.
- On Article 3, Section 11 and 13: An NDC steering committee shall be established, led by CCC with the following members: NEDA, DA, DOE, DENR, DOTR, DFA, DOF, DBM, DOLEDOST, DILG, DOH, DPWH, DOT, DHSUD, DTI, CHED, CCC board, and NPTE – The necessity of separate multiple bureaucratic platforms needs to be looked at in terms of possible mandate redundancies. There is also no LGU and CSO/sectoral representation in the proposed NDC steering committee. The GAA allocation of funds for CC-related action by NGAs and LGUs need guidelines, with institutional plans and projections possibly to be included in the proposed institutional yearly reports.
- On Article 4, Section 15: Will the LCCAP quality assessment and review by CCC, DILG, select NGAs, HEIs, and SUCs entail the creation of another ad hoc body? The LCCAPs must be reviewed together with the LDRRMP, CDP, and CLUP of LGUs for planning alignment and consistency.
- On Article 5, Section 16: The Institutionalization of CCET, with CCC, DBM, DILG, and OCD should harmonize expenditure tagging for both climate change mitigation and disaster risk management. Oversight agencies should also include DOF and DND.
- On Article 6, Section 17: The National Integrated Climate Change Database and Information Exchange System (NICCDIES) will serve as the primary platform for CC information. – This should be expanded to cover DRRM-related information. It also needs to be responsive and if possible, close to real-time in updates if relevance and transparency are also espoused.
- On Article 7, Section 18: On carbon cap and trade system, should the annual setting of emission avoidance/reduction targets be set by the President, or should it be devolved accordingly to the relevant NGAs? The carbon trading system needs

elaboration and proper guidance in terms of policy and institutional mechanisms. There was only an abridged elaboration on Article 7 considering that carbon trading is the supposed focus of the bill. How will the government operationalize local vs global carbon trade system, including the transfer of credits, and vetting process? How do we relate the submitted NDC with the GHG emissions cap?

- On Article 10, Sections 23-25: The multiple submission of reports for transparency and reporting is elaborate and overlapping: The bill requires separate documentations on (1) PGHGIMRS GHG monitoring, (2) CCET, (3) NDC yearly report, (4) possible sectoral and subnational reports; (5) carbon trading status; (6) UNFCCC report; (7) enforcement and indemnification report; (8) climate reinvestment fund report. It may be more prudent to consolidate into a comprehensive annual report and just come out with periodic/quarterly assessment updates as needed.
- On Article 11, Section 26-27: Sectoral and subnational grounding requires appropriate and streamlined bureaucratic platforms and commensurate capacity building. The devolution of responsibilities to LGUs would add to the growing stack of devolved functions post-Garcia-Mandanas ruling. Such demands must include apt provisions on capacity building and subnational CC financing. Most LGUs also do not have environment or climate change offices or permanent staff for CC mitigation and adaptation-related functions.
- On Article 13, Section 29-31: The bill mandates DENR to work on enforcement and indemnification, consistent with the polluters pay principle, including market price determination for penalties—the same mandate already supposedly embedded in sectoral legislations covering EMB, FMB, and MGB. Capacity development for DENR is further required both in terms of technical capacity and manpower augmentation, specifically for carbon trading and functional enforcement.
- On Article 13, Section 32: The proposed establishment of a climate reinvestment fund from collected penalties should also cover CC adaptation initiatives and not just global warming mitigation.
- Indonesia limited its carbon trading policy to cover just the energy sector. The same conservative approach may be considered by the Philippines, particularly in the early stages of policy grounding. Greater focus on the sectors of energy and transportation may be pursued, given that the two sectors account for the most GHG emissions in the country. This will also prevent the NGAs from possibly being functionally overwhelmed given the new institutional mandates attached to HB7705.