

Re-invigorated carbon markets have potential for RE in RoP

Langogan Power Corporation (LPC) and Carbonergy BCS team up to bring the potential of a re-invigorated carbon market to the renewable energy (RE) sector as LPC's hydroelectric power projects in Palawan are included in the RE2Grid PoA.

The renewed potential of international carbon markets following the Paris Climate Conference has persuaded Langogan Power Corporation (LPC) to include its hydroelectric power projects in Palawan in the RE2Grid PoA of Carbonergy BCS. Both companies recognize the potential of Article 6 of the Paris Agreement to re-invigorate carbon markets and both, as private-sector entities, have the complementary wherewithal to make a contribution to the objectives of the Philippines' Intended Nationally Determined Contribution (INDC), namely: LPC has the investment, technology and agreements in place to significantly offset diesel power plant emissions in Palawan, while Carbonergy has a UNFCCC-registered carbon market instrument that can help LPC to generate carbon credits until mid-2040.

LPC will develop three small run-of-river hydroelectric facilities in the island province of Palawan that will generate clean, renewable and less-expensive energy through harnessing the local water resources of the Langogan, Batang Batang, and Talakaigan rivers. In total, these projects expect to generate at least 79,500 MWh of electric power that will displace approximately 59,000 tonnes of carbon emissions from diesel power plants per year. Over a period of 21 years' participation in Carbonergy's PoA these three projects will avoid the release of approximately 1,239,000 tonnes of carbon dioxide into the atmosphere.

When all plants are operational in 2018 and 2019, the hydropower produced will provide nearly 50% of the current demand of Palawan Electric Cooperative which serves 124,657 consumers. Power will be provided through the recently extended NPC 69kV backbone transmission line to load centres, the main one of which is Puerto Princesa City. The power produced will not require any subsidy from the Missionary Electrification Fund/Universal Charge and will be free of VAT.

The Re2Grid PoA is a platform that can be used by developers of power plants utilizing several types of RE. Run-of-river hydro, wind, solar PV, geothermal, wave and tidal energy are all eligible to be included in the Programme. Given the potential for RE in the Philippines, if its development were to be sufficiently 'enabled' as proposed in the INDC and supported by changes in government procedures as promised by the new government (*inter alia* through reduction of bureaucratic bottlenecks, removal of inter-ministerial duplication that causes delays for developers, and improvement in the processes and time required to obtain permits), developers could reach financial and technical closure much sooner than the current multi-year waiting period and the significant mitigation potential of the RE sector could be achieved within the near- rather than the medium-term.

If other RE developers were to utilize the RE2Grid PoA platform to generate carbon credits, the Philippines could go a long way to achieving its INDC emission reduction target just with those RE technologies. As an indication of the potential, the National Renewable Energy Program (NREP) has set the following goals for PoA-eligible RE technology capacity by 2030: 5,394 MW hydropower; 2,345 MW wind power; 1,495 MW geothermal; 284 MW solar power; and 70.5 MW ocean energy. If only half of that potential is installed, the Philippines could reduce up to 14.5 million tonnes of greenhouse gas emissions (GHGs) per year from the RE sector alone and solely through the efforts of the private sector assuming that government has the right enabling policies and processes in place! Even if those projects only come online in 2020, the Philippines RE sector could reduce up to 145 million tonnes of GHG by the INDC target date of 2030. And that's also a lot of carbon credits that could be sold through the old and new carbon market mechanisms!

As background for the reader: at the Paris Climate Change Conference (21st Conference of the Parties) held in December 2015, 195 countries adopted the first-ever universal, legally binding global climate deal, called the Paris Agreement that sets out a global action plan to put the world on track to avoid dangerous climate change by limiting global warming to well below 2°C.

Article 6 of the Paris Agreement recognizes the right of countries to work together through “*cooperative approaches*” and to continue to take advantage of carbon markets to secure financing for low emission development. That provision paves the way for signatory countries and emitters therein to buy carbon credits in order to offset GHGs, and for other countries, such as the Philippines, to supply carbon credits to support their low carbon and sustainable development. The Philippines joined 174 states in signing the Agreement at a special ceremony convened by the United Nation's Secretary General in New York on April 22 this year.

Article 6 has already provided significant impetus for carbon markets. There is renewed international interest by a wide range of stakeholders, representing both state and non-state actors as well as multilateral agencies, in ways and means of putting a price on carbon and for international and regional collaboration to cost-effectively ‘mitigate’ carbon emissions. The ‘climate speak’ that also relates to carbon markets has been extended to include new international policy and market mechanisms – ‘Nationally Determined Contributions (NDCs)’, ‘Nationally Appropriate Mitigation Actions (NAMAs)’, and ‘Internationally Transferred Mitigation Outcomes (ITMOs)’ – that will build upon and are likely to integrate concepts and components from the previously-established carbon market instruments that grew out of the Kyoto Protocol (i.e. the ‘Clean Development Mechanism (CDM)’ and the ‘CDM Programme of Activities (POA)’).

That's good news for the Philippines. Prior to the Paris Conference, the Philippines submitted its ‘Intended Nationally Determined Contributions (INDC)’, a preliminary set of policy objectives that will be regularly revised and released as NDCs upon the country's ratification of the Paris Agreement. The Philippines intends to contribute “...GHG (CO₂e) emissions reduction of about 70% by 2030 relative to its BAU scenario”. That will require specific actions to mitigate the country's emissions. As a follow-up to the INDC, the Climate Change Commission recently launched the National Energy Policy Review (NEPR), a multi-stakeholder effort aimed at formulating a comprehensive and harmonized energy policy framework that will help to

mainstream low carbon development and mitigation strategies into relevant line ministry's programmes. The INDC and the framework (expected to be completed by the end of this year) present Philippine investors with a chance to embrace the opportunities that re-invigorated international and regional carbon markets will soon offer. Perhaps this will even include a NAMA to establish a domestic carbon market.

The Philippines' INDC recognizes that greater participation in the new multilateral effort to address the impact of climate change is an opportunity for the Philippines *"...to transition as early as it can to an efficient, resilient, adaptive, sustainable clean energy-driven economy, and it is determined to do so with partners from the global community"*. The INDC *inter alia* targets emission reductions from the energy sector *"...conditioned on the extent of financial resources, including technology development & transfer"* and by enabling *"...participation of the private sector to optimize mitigation opportunities"*. Developing countries, the Philippines included, that embraced carbon markets within their energy and GHG emission strategies following the entry into force of the Kyoto Protocol in 2005, have benefitted from significant inflows of finance and technology from countries, investors and developers that are interested in supporting low carbon development activities and in cost-effective, flexible means of reducing global carbon emissions. With the new impetus, this interest and inflows of finance and technology for low carbon development activities are now likely to increase with the right signals coming from the country!

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