



Eighteenth Congress
First Regular Session

HOUSE BILL NO. **2184**



Introduced by
REPRESENTATIVE LOREN B. LEGARDA

AN ACT
TO PROMOTE A LOW CARBON ECONOMY ESTABLISHING FOR THIS
PURPOSE THE EMISSION CAP-AND-TRADE SYSTEM IN THE INDUSTRY
SECTOR TO REDUCE GREENHOUSE GAS EMISSIONS AND PROTECT THE
CLIMATE

Explanatory Note

The climate crisis is increasingly proving to be complex and daunting as we experience ourselves the wrath of global warming. It is not an understatement that increasing amounts of carbon dioxide and other greenhouse gases are heating up the earth's climate and that inaction could be catastrophic.

Global warming has reached an alarming stage and we must do something about it—to adapt and mitigate, otherwise, our children will no longer be able to bear the heat and live a comfortable future.

In spite its insignificant contribution to global greenhouse gas (GHG) emissions at 0.3%, the Philippines, was among the most influential countries that helped craft the Paris Agreement on Climate Change, which seeks to pursue a development path consistent with limiting the global warming to 1.5 degrees Celsius.

Amidst this looming scenario, our economy is growing at a considerable pace. The challenge before us then is to accelerate economic growth without compromising the state of our environment.

Thus, this bill introduces the concept of “low carbon economy.” The idea is to pave the way for a cleaner environment by limiting the release of greenhouse gases by the industrial and commercial sector.

Upon consultation with the industrial sector, the Department of Environment and Natural Resources, in collaboration with the Department of Trade and Industry, shall set a cap on the greenhouse gas emissions of companies. To cushion the impact of a cap on companies, this bill allows them to trade credits with each other. Allowances for greenhouse gas emissions will be issued to companies, which in turn, may be freely traded by them to a market-driven system. Companies with

excess greenhouse gas emissions may buy allowances from the market, while companies with less greenhouse gas emissions may sell their allowances to the market. This trading mechanism allows for a pseudo-financial market that allows for companies to transact with each other but with an additional benefit of maintaining the target emissions in the economy.

The emission cap-and-trade system is a constructive and business-friendly approach to countering global warming. Ultimately, a market for companies that emit greenhouse gases shall compete to clean up our air.

Undoubtedly, a low carbon economy would accelerate reduction of greenhouse gas emission, encourage use of new climate change-related technologies, and ensure benefits to consumers from the trading in allowances.

The Philippines may be a vulnerable country, but we are not incapable of taking action. Transitioning to a low carbon economy is crucial to our people as our nation treads on the path of sustainable, resilient, and inclusive growth,

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



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

1 **SECTION 1. Title.** – This Act shall be known as the “Low Carbon Economy Act of
2 2019.”

3 **SEC. 2. Declaration of Policy.** – It is the policy of the State to promote sustainable
4 development. Towards this end, there is a need to maximize the contribution of the
5 industrial and commercial sector in reducing greenhouse gas emissions and
6 minimize the adverse effects of climate change on small businesses through the
7 establishment of a market-driven system of greenhouse gas tradable allowances

8 **SEC. 3. Definition of Terms.** – For purposes of this Act, the following shall have the
9 corresponding meanings:

- 10 a) “Carbon Dioxide Equivalent” shall refer to the quantity of greenhouse gas that
11 makes the same contribution to global warming as one (1) metric ton of
12 carbon dioxide, as determined by the Department of Environment and Natural

Resources (DENR) Secretary, taking into account the global warming potentials published by the Intergovernmental Panel on Climate Change;

b) "Greenhouse Gas" shall refer to the following gases: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, perfluorocarbons, or any other anthropogenically-emitted gas that is determined by the DENR Secretary to contribute to global warming; and

c) "Covered Sector" shall refer to the industry and commercial sectors.

SEC. 4. Emission Reduction Measures/Targets. – Emission reduction measures shall be adopted by the DENR Secretary to achieve maximum technologically feasible and cost-effective reductions in greenhouse gas emissions.

Annual emission reduction targets shall be set for each calendar year by the President, through the Department of Environment and Natural Resources with the Department of Trade and Industry, upon consultation with other agencies having jurisdiction over sources of greenhouse gases.

SEC. 5. Cap on Greenhouse Gas Emissions. – To achieve the emission targets set pursuant to this Act, a cap shall be imposed on the greenhouse gas emissions of the covered sector with the –

a) Highest greenhouse gas emissions; and

b) Most cost-effective opportunities to reduce emissions;

SEC. 6. Allowances. – The DENR Secretary shall, each year, issue a quantity of greenhouse gas emissions allowances equivalent to the emissions allowed under the cap imposed for such year. Each such allowance shall authorize the emission of one metric of carbon dioxide, or in the case of a global warming pollutant other than

carbon dioxide, a carbon dioxide equivalent. Such an allowance does not constitute a property right.

SEC. 7. *Distribution of Allowances.* – The allowances shall be distributed by the DENR Secretary to the covered sector by allocation.

SEC. 8. *Trading System.* – There shall be established a trading system under which allowances issued under this Act may be sold, exchanged, purchased or traded by any person or entity.

SEC. 9. *Monitoring.* – The DENR Secretary shall ensure that greenhouse gas emissions and the use of allowances issued under this Act are accurately tracked, reported and verified, to ensure that the cap-and trade system established under this Act is fully implemented.

SEC 10. *Enforcement.* – In case of excess greenhouse gas emissions by an entity during any calendar year, the entity shall:

- a) Submit allowances for such emissions during the following calendar year; and
- b) Pay a civil penalty.

SEC. 11. *Penalties.* – For each quantity excess greenhouse gas emissions constituting carbon dioxide or one carbon dioxide equivalent, the amount of civil penalty shall be twice the market price for an allowance at the end of the calendar year in which the excess emissions occurred. The DENR Secretary shall establish the method of determining such market price.

SEC.12. *Climate Reinvestment Fund.* – There is established a fund to be known as the Climate Reinvestment Fund, hereafter referred to the Fund. The fund shall consist of the amount of civil penalties assessed under Section 11 of this Act. It shall

1 be administered by the DENR to be used exclusively for activities addressing global
2 warming.

3 **SEC. 13. *Appropriations.*** – The amount necessary for the initial implementation of
4 this Act shall be taken from existing allocations of the DENR. Thereafter such sums
5 as shall be necessary to carry out the provisions of this Act shall be included in the
6 annual General Appropriations Act.

7 **SEC. 14. *Implementing Rules and Regulations.*** – The Department of Environment
8 and Natural Resources and the Department of Trade and Industry are hereby
9 empowered to issue implementing rules and regulations necessary, in coordination
10 with other relevant and appropriate government agencies with sixty (60) days after
11 its approval. Failure to issue rules and regulations shall not in any manner affect the
12 executor nature of the provisions Act.

13 **SEC. 15. *Separability Clause.*** – If for any reason any section or provision of this
14 Act is declared by the Court as unconstitutional or invalid, the other sections or
15 provisions thereof shall not be affected thereby.

16 **SEC. 16. *Repealing Clause.*** – All laws, ordinances, rules and regulations, and other
17 issuances or parts thereof, which are inconsistent with this Act, are hereby repealed
18 or modified accordingly.

19 **SEC. 17. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication
20 in the Official Gazette or in at least two (2) national newspapers of general
21 circulation.

22 Approved,