

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES

H. B. No. 4366

Introduced by Rep. Vilma Santos-Recto
6th District of Batangas

AN ACT
PROMOTING ENVIRONMENTALLY SUSTAINABLE TRANSPORT BY
PROVIDING INCENTIVES FOR THE MANUFACTURE, ASSEMBLY,
CONVERSION AND IMPORTATION OF ELECTRIC, HYBRID AND OTHER
GREEN VEHICLES, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Road transportation accounts for about eighty percent (80%) of air pollution in Metro Manila. With the rapid rise in personal vehicle ownership, demand for fossil fuel will continue to increase along with carbon emissions unless there is a shift in transportation choices.

Air pollution causes cardiovascular and respiratory diseases including acute and chronic bronchitis, acute lower respiratory infection (ALRI) and pneumonia. The top leading cause of morbidity for 2018 is Acute Respiratory Tract Infection with a total rate of 1,139.53 per 100,000 population followed by Hypertension with a total rate of 567.79 per 100,000 population.¹

Our economy has been adversely affected by crude oil prices for the past decades, the Philippines being highly dependent on petroleum and petroleum products. Hence, the drive for new fuel alternatives.

It is imperative that the government help modernize the Philippine public transport system. The benefits of reducing the environmental burden could easily outweigh the monetary cost of new investments. Promoting green vehicles hold significant potential for

¹ 2018 Field Health Services Information System Annual Report. (Accessed on July 3, 2019)

increasing energy security, reducing carbon emissions, and improving local air quality. We can temper our dependence on petroleum and increase fuel savings. The riding public benefits too as the fare rates will no longer be dictated by the volatility of fuel prices. At the same time, pollution-related diseases and productivity losses will be minimized.

The State recognizes its role in addressing the detrimental effects on the environment, safeguarding the welfare, and protecting the health of the people by improving air quality and by reducing the impact of greenhouse gases emitted from man-made sources such as vehicles operating on fossil fuels.

As the title of the measure suggests, fiscal and non-fiscal incentives shall be granted to the importation and manufacture of green vehicles using clean energy sources such as, but not limited to: solar, wind, hydrogen fuel cell, methane, compressed natural gas or liquefied natural gas and liquefied petroleum gas. In addition, it will also exempt the owners of green vehicles from the payment of the Motor Vehicle User's Charge or the MVUC upon registration of their vehicles. Likewise, non-fiscal incentives shall be granted under this bill.

The bill's primary objective is to deploy more green vehicles such as E-jeepneys, e-tricycles, LPG taxis, CNG-powered buses and hybrid cars on the road in order to abate the level of air pollution in urban areas all over the country which can be translated to hundreds of thousands of tons of carbon dioxide emission eliminated.

Moreover, the use of green vehicles for public and private transport will encourage technology innovation, create green jobs, accelerate the deployment of green vehicles, increase fuel savings, promote better air quality and provide solutions to climate change. There are a variety of promising clean vehicle technologies and fuels in development and in use around the globe which, the Philippines can adopt.

The bill attaches sunset provisions on when the incentives expire. Any manufacturer or assembler of green vehicles has nine (9) years to avail of the incentives under this bill, thereby allowing the industry enough time to grow and develop.

Member-countries of the Organisation for Economic Co-operation and Development (OECD) have allotted millions of dollars to support technologies to attain Environmentally

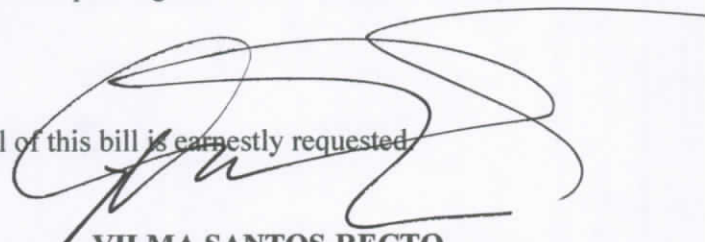
Sustainable Transport. They also provide incentives such as tax credits and exemptions as well as subsidies and policy support for all new energy vehicles.

The promotion of the use of green vehicles will make a dent in the establishment of a vibrant domestic green vehicle industry that will reel in investors to set up shop and create jobs. Our government should not lose this opportunity like what happened in the past wherein an internationally competitive auto industry in the Philippines failed to take off and make the country as the ASEAN hub due to lack of economies of scale, limited supply base and high cost of production.² The growth of the green vehicle industry can spur our country's targeted inclusive growth as it will take the lead in expanding its allied industries and capture new jobs that would otherwise go to our competitor countries.

The passage of this bill supports the Fueling Sustainable Transport Program (FSTP) of the Department of Energy (DOE), which seeks to convert public and private vehicles from diesel and gasoline to low- and zero-emission vehicles to address the impact of increasing fuel prices and reduce carbon footprint on the transport sector.³ Retrofitting the rest of public utility vehicles (PUVs) like jeepneys and buses can have a tremendous impact on clean environment. If the manufacturers can avail of the fiscal incentives to bring down their input costs, they can offer a more competitive price for green vehicles as compared to their existing gasoline-fed counterparts.

With this Bill, we can take responsibility in improving the nation's environment, health and economy.

In view of the foregoing, immediate approval of this bill is earnestly requested.



VILMA SANTOS-RECTO

² Philippine Institute for Development Studies. "Globalization, competition, and international production networks: policy directions for the Philippine automotive industry." No. 2011-13 (June 2011). <http://dirp4.pids.gov.ph/ris/pn/pidson1113.pdf> (Accessed June 4, 2013).

³ Department of Energy. Press Release. "Fueling sustainable transport program to mitigate fuel price increases in the future." 6 April 2011. <http://www.gov.ph/2011/04/06/fueling-sustainable-transport-program-to-mitigate-fuel-price-increases-in-the-future/> (Accessed on June 4, 2013)

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

1 Section 1. *Title.* – This Act shall be known as the "Green Vehicles
2 Incentives Act".

3 Sec. 2. *Declaration of Policy.* – It is the policy of the State to safeguard life
4 and environment by encouraging the use of clean energy sources for vehicles intended
5 for public and private use. To protect the well-being and promote the economic
6 condition of the people as well as to promote energy independence and security in the
7 midst of development and innovation in technology, the following are hereby
8 declared:

9 a) It is the policy of the State to protect and advance the right of the people to
10 a balanced and healthful ecology in accord with the rhythm and harmony in nature.
11 The State shall recognize and address the detrimental effects on the environment,
12 safeguard the welfare, and protect the health of the people by improving air quality
13 and by reducing the impact of greenhouse gas effects emitted from man-made sources
14 such as vehicles operating on fossil fuels.

15 b) The State supports the need to promote the development of new technology
16 to accelerate social progress and promote human development. The use of eco-
17 friendly or green vehicles intended for public and private use is encouraged to

1 promote innovation, energy efficiency, security and conservation, and to speed-up the
2 deployment of cleaner technology.

3 c) The State recognizes the indispensable role of the private sector, encourages
4 private enterprise, and provides incentives to needed investments. To accelerate
5 economic growth and generate employment, the state shall provide incentives to
6 private enterprises and individuals engaged in the manufacture, assembly, conversion,
7 and importation of electric, hybrid and other green vehicles.

8 Sec. 3. *Definition of Terms.* – As used herein, the following shall mean:

9 (a) *Green Vehicle* shall refer to a vehicle that is considered to be
10 environmentally friendly and have less damaging impact on the environment than
11 conventional cars; it uses clean energy sources to fuel its engine, such as but not
12 limited to: electricity, solar, wind, hydrogen fuel cell, compressed natural gas (CNG)
13 or liquefied natural gas (LNG), methane and liquefied petroleum gas (LPG), other
14 than conventional sources of energy like petroleum and gasoline for propulsion.

15 (b) *Electric Vehicle (EV)* shall refer to any vehicle that uses electric motors
16 solely for propulsion.

17 (c) *Hybrid Vehicle (HV)* shall refer to any vehicle that combines the
18 technologies of using internal combustion engine (ICE) with a battery-powered
19 electric motor to gain advantages of both propulsion systems.

20 (d) *Manufacturer or Assembler* shall mean any individual, partnership,
21 corporation or other entity engaged in the manufacture, assembly and conversion of
22 electric, hybrid and other green vehicles incorporated, organized and existing under
23 Philippine laws.

24 (e) *Importer* shall mean any individual, partnership, corporation or other entity
25 engaged in the importation of completely built units (CBUs) of electric, hybrid and
26 other green vehicles incorporated, organized and existing under Philippine laws.

27 Sec. 4. *Coverage.* – This Act shall cover electric, hybrid and other green
28 vehicles but shall not include vehicles powered by gasoline, petroleum, bio-diesel and
29 bio-ethanol.

30 Sec. 5. *Incentives to Manufacturers or Assemblers.* – The provision of any
31 special or general law to the contrary notwithstanding, the manufacture or assembly
32 of completely knocked-down (CKD) parts of electric, hybrid and other green vehicles,
33 including the conversion of vehicles into electric, hybrid and other green vehicles,

1 shall be exempt from the payment of excise taxes and duties for nine (9) years from
2 the effectivity of this Act.

3 The imposition of the Value Added Tax (VAT) for the purchase and
4 importation of raw materials, spare parts, components and capital equipment used in
5 the manufacture or assembly of electric, hybrid and other green vehicles shall be
6 suspended for nine (9) years from the effectivity of this Act.

7 Sec. 6. *Incentives to Importers.* – The provision of any special or general law
8 to the contrary notwithstanding, the importation of completely built units (CBUs) of
9 electric, hybrid and other green vehicles shall be exempt from the payment of excise
10 taxes and duties for nine (9) years from the effectivity of this Act.

11 Sec. 7. *Exemption from the Payment of Motor Vehicle User's Charge*
12 *(MVUC).* – Electric, hybrid and other green vehicles shall be exempt from the
13 payment of the Motor Vehicle User's Charge (MVUC) imposed by the Land
14 Transportation Office (LTO) under Republic Act No. 8794, otherwise known as
15 "Motor Vehicle User's Charge (MVUC) Act" for nine (9) years from the effectivity of
16 this Act.

17 Sec. 8. *Non-Fiscal Incentives.* –

18 1. *Priority in Registration and Issuance of Plate Number.* - Registration and
19 renewal of registration of electric, hybrid and other green vehicles shall be prioritized
20 by the LTO for nine (9) years from the effectivity of this Act. A special type of
21 vehicle plate to be prescribed by the LTO shall be exclusively issued to all electric,
22 hybrid and other green vehicles upon registration.

23 2. *Priority in Franchise Application.* - Public Utility Vehicle (PUV) operators
24 exclusively utilizing electric, hybrid and other green vehicles shall be granted priority
25 by the Land Transportation Franchising and Regulatory Board (LTFRB) in the
26 approval of applications for franchise to operate, including its renewal, for nine (9)
27 years from the effectivity of this Act.

28 3. *Exemption from Unified Vehicular Volume Reduction Program (UVVRP) or*
29 *Number-Coding Scheme.* - All electric, hybrid and other green vehicles shall, for nine
30 (9) years from the effectivity of this Act, be exempted from the mandatory Unified
31 Vehicular Volume Reduction Program (UVVRP) or Number-Coding Scheme being
32 implemented by the Metro Manila Development Authority (MMDA) and other local
33 government units (LGUs) concerned.

1 4. *Provision for Free Parking Spaces in New Establishments.* - Business and
2 commercial establishments to be constructed after the effectivity of this Act are
3 mandated to provide exclusive parking spaces free of charge for all electric, hybrid
4 and other green vehicles. No building permit shall be issued for the construction of
5 business and commercial establishments that include parking spaces unless the owner
6 submits an affidavit that there shall be free parking spaces to be exclusively
7 designated for electric, hybrid and other green vehicles, for nine (9) years from the
8 effectivity of this Act.

9 Sec. 9. *Registration, Implementation and Monitoring.* - The Department of
10 Finance (DOF), Department of Transportation (DOTr), and Department of Trade and
11 Industry (DTI) shall be responsible for the administration and implementation of the
12 incentives granted under this Act.

13 Manufacturers, assemblers, converters and importers of electric, hybrid and
14 other green vehicles shall register with DOF in order to avail of the incentives
15 provided under this Act. For proper monitoring, DOF, DOTr and DTI shall meet
16 regularly to monitor and review the implementation of the incentives provided herein.

17 Sec. 10. *Implementing Rules and Regulations.* - The DOF and the DOTr, in
18 coordination with the DTI, shall within sixty (60) days from the effectivity of this Act,
19 promulgate the rules and regulations to effectively implement the provisions of this
20 Act.

21 Sec. 11. *Separability Clause.* - If any portion or provision of this Act is
22 declared unconstitutional, the remainder of this Act or any provisions not affected
23 thereby shall remain in force and effect.

24 Sec. 12. *Repealing Clause.* - Any law, presidential decree or issuance,
25 executive order, letter of instruction, circular, rule and regulation inconsistent with the
26 provisions of this Act is hereby repealed or modified accordingly.

27 Sec. 13. *Effectivity Clause.* - This Act shall take effect fifteen (15) days
28 following its complete publication in two (2) newspapers of general circulation or in
29 the *Official Gazette*.

 Approved,