



DEPARTMENT CIRCULAR NO. _____

PRESCRIBING THE GUIDELINES FOR THE ENDORSEMENT OF ENERGY EFFICIENCY PROJECTS TO THE BOARD OF INVESTMENTS FOR FISCAL INCENTIVES

WHEREAS, Article II Section 20 of the 1987 Constitution provides that the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments;

WHEREAS, Article 39 of Executive Order No. (EO) 226 or the “Omnibus Investment Code of 1987” grants incentives to registered enterprises to the extent engaged in a preferred area of investment;

WHEREAS, Section 2 of Republic Act No. (RA) 7638 or the “Department of Energy (DOE) Act of 1992” states that it is the policy of the State to ensure a continuous, adequate, reliable, and economic supply of energy through, among others, judicious conservation, renewal, and efficient utilization of energy, to keep pace with the country’s growth and economic development;

WHEREAS, Section 6 (a) and 25 of RA 11285 or the “Energy Efficiency and Conservation Act” (EEC Act) and Section 71 of Department Circular No. DC2019-11-0014 or the Implementing Rules and Regulations of the EEC Act (EEC IRR), provide that the Board of Investments (BOI) shall include energy efficiency projects, as defined in the EEC Act, in the annual investment priorities plan, to incentives provided under EO 226 and any other applicable laws for ten (10) years. After the aforementioned period, the BOI shall review extension of inclusion of the energy efficiency projects in the investment priorities plan and that EEC projects shall be exempt from Article 32(1) of EO 226; and

WHEREAS, Section 72 of the EEC IRR states that to qualify for the availment of the fiscal incentives allowed under the EEC Act and the EEC-IRR, the energy efficiency (EE) project must be certified as such by the DOE and registered with the BOI.

NOW THEREFORE, for and in consideration of the foregoing premises and pursuant to its mandate and under the EEC Act and EEC IRR, the DOE hereby promulgates the following guidelines:

Section 1. Title. This Department Circular shall be known as the “Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investments for Fiscal Incentives.”

Section 2. Scope. This Department Circular shall establish the guidelines, rules and procedures in the endorsement of energy efficiency projects to the BOI for registration in order to grant fiscal incentives to the proponents for the said project.

Section 3. Definition of Terms. As used in this Department Circular, the following terms shall be understood to mean:

- 3.1 “Board of Investments (BOI)” refers to an attached agency of the Department of Trade and Industry responsible for the promotion of investments in the

Philippines. The BOI shall include energy efficiency projects as defined in the EEC Act, in the annual investment priorities plan entitled to incentives provided under EO 226, as amended, and any other applicable laws.

- 3.2 “Complex Energy Efficiency Projects” refers to those projects that involve new installation, retrofitting or upgrading of system or a combination of a systems such as but not limited to Cogeneration System, District Cooling System, Steam System from boiler steam header to the steam load process equipment including its auxiliaries, Pumping System, HVAC System and its distribution line system, Compressed Air System, Process line System for kilns and furnaces, Smart Manufacturing System, Building Energy Management System, etc.
- 3.3 “Energy Efficiency” refers to the way of managing and restraining the growth in energy consumption resulting in the delivery of more services for the same energy input or the same services for less energy input;
- 3.4 “Energy Conservation” refers to the reduction of losses or wastage in various energy stages from energy production to energy consumption through the adoption of appropriate measures which may, among others be, technologically feasible, economically sound, environmentally-friendly, or socially affordable;
- 3.5 “Energy Efficiency Projects” refer to projects designed to reduce energy consumption or costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto;
- 3.6 “Energy Management” refers to the process of designing and/or implementing an optimal program of purchasing, generating, and consuming various types of energy based on the end user’s overall short-term and long-term management program, with due consideration of factors including costs, availability, economics, and environmental impact;
- 3.7 “Energy Savings” refers to the result in the reduction of energy consumption and/or costs to produce the same output, and/or to increase the productivity with the same energy consumption;
- 3.8 “Energy Service Company (ESCO)” refers to a juridical entity that offers multi-technology services and goods towards developing and designing energy efficiency projects, delivering and guaranteeing energy savings, and ensuring cost-effective and optimal performance. Their services include energy supply and management, energy financing, technical engineering expertise and consultancy, equipment supply, installation, operation, maintenance and upgrade, and monitoring and verification of performance and savings. Their goods include lighting, motors, drives, heating, ventilation, air conditioning systems, building envelope improvements, and waste heat recovery, cooling, heating, or other usable forms of energy control systems;
- 3.9 “Project Boundary” refers to the percentage range of energy saving for the availment of corresponding income tax holiday as provided for in Section 7 of this guideline; and

- 3.10 “Simple Energy Efficiency Projects” refers to those projects that involve new installation, upgrading or retrofitting of a specific equipment or devices in the system such as but not limited to lighting retrofit, automated lighting control system or smart control system, HVAC upgrades, boiler replacement, and other similar devices or equipment within a system.

Section 4. Qualification to be Considered an Energy Efficiency Project. An Energy Efficiency Project which involves the installation of new equipment or system in an existing plant, facility or establishment, and will realize energy savings, as further categorized under Section 8 of this Department Circular, may be qualified for BOI registration and be entitled to income tax holiday and other incentives under EO 226.

Section 5. Endorsement of Energy Efficiency Project for BOI Fiscal Incentive. For the availment of fiscal incentives, the DOE shall endorse ESCO Energy Efficiency Projects which have passed the technical and the economic evaluation criteria set forth under this Department Circular including but not limited to the minimum set energy saving measured at the project boundary.

Section 6. Application Procedure and Processing of the Application. The following shall be the application procedure for the issuance of a Certificate of Endorsement to BOI under the process flow (Annex A):

- 6.1 Applications can be filed with the DOE Records which shall in turn be forwarded to the Energy Utilization and Management Bureau – Office of the Director (EUMB – OD). Technical staff from the Energy Efficiency and Conservation Program Management and Technology Promotion Division (EPMPD) will check the completeness of the application using the Checklist (Annex B), and will be immediately returned to the applicant if there are lacking documents without prejudice to re-application. (1/2 day).
- 6.2 Applications can also be sent thru email at doe.eumb@gmail.com, copy furnish doe.epmpd@gmail.com. Completeness of documents will be checked by the technical staff of EPMPD and inform the applicant if it is incomplete. (1/2 day).
- 6.3 For applications which are determined to be complete, an Order of Payment will be issued (1/2 hour) and the client will be requested to pay the processing fee of P12,000.00 for Simple Energy Efficiency Projects and P25,000 for Complex Energy Efficiency Projects.
- 6.4 For emailed applications, the order of payment will be sent thru email. Payment can be made to the DOE Treasury Division or by either of the following: Over the counter payment at the bank nearest to the applicant; 2) Online bank transfer; or, 3) Wire Transfer/Telegraphic Transfer – Bank charges shall be in the account of the payer. The payment must be to the DOE Trust Fund Account with the following details:

Account Name : DOE Trust Fund
Account Number : 0052-1155-58
Bank Address : Land Bank of the Philippines – Buendia Branch
Swift Code : TLBPPHMM
Beneficiary Address : Department of Energy, Energy Center, BGC, Taguig City

Proof of payment must be provided to EPMPD as evidenced by any of the following:

- a. Photocopy of the official receipt;
- b. Scanned copy of the validated Deposit Slip;
- c. Snapshot of the successful bank transfer.

Item b and c must be emailed, together with the Order of Payment, at payments.doetreasury@gmail.com, copy furnish doe.epmpd@gmail.com.

- 6.5 Upon receiving of the documents from the Records Section, the EUMB-OD will forward the documents to the EPMPD (1/2 hour). E-mailed applications will be processed immediately upon being complete and upon payment of the processing fee.
- 6.6 An evaluation report will be prepared based on the review of the submitted documents. When deemed necessary, a virtual presentation by the applicant may be requested (18 days).
- 6.7 The letter of endorsement or denial will then be released, recorded and transmitted to the applicant (1 day). Within three (3) days from receipt of Notice of Denial (NOD), a re-application is permitted.

Section 7. Documentary Requirements. The following shall be the documentary requirements for applications under Section 6 of this Department Circular:

- 7.1 Application letter (Annex C) indicating the intent to avail of BOI incentives, letter should be addressed to:

The Director
Energy Utilization and Management Bureau
Department of Energy
Energy Center, Rizal Drive, Bonifacio Global City, Taguig City
- 7.2 Copy of DOE issued ESCO Registration or ESCO Certification
- 7.3 Copy of Energy Audit Report duly signed by a DOE Registered or Certified Energy Auditor
- 7.4 Project Profile (Annex D)
- 7.5 Copy of Project Contract or Energy Saving Performance Guarantee Contract
- 7.6 Proof of Payment for Simple Energy Efficiency Project or Complex Energy Efficiency Project

All Energy Efficiency Projects endorsed under this Department Circular shall be required to submit a Report on the Completion of the Project (Annex E). Completion would mean the achievement of the installation of the energy efficiency measures installed in the facility or equipment. Such report must be submitted 30 days after the completion of the project.

Section 8. Evaluation Criteria. To qualify for endorsement, the Energy Efficiency Project must meet at least 15% savings threshold measured at project boundary as shown in the table below.

| <i>Energy Savings at the Project Boundary</i> | <i>Rate of Income Tax Holiday (ITH)</i> |
|--|--|
| <i>15% to 20%</i> | <i>50%</i> |
| <i>more than 20% and up to 25%</i> | <i>75%</i> |
| <i>more than 25%</i> | <i>100%</i> |

- 8.1 All registered Energy Efficiency Projects shall be granted with Pioneer incentive status. The rate of Income Tax Holiday shall be reckoned from the start of operation of the Energy Efficiency Project.
- 8.2 An ESCO, certified and/or registered with the DOE, which will invest and provide services under a contract with the owner of the plant, facility or establishment, regardless of the sector, may qualify for BOI endorsement.
- 8.3 The anticipated savings, due to energy efficiency and conservation measures to be installed/adopted will be doubled-checked by the technical staff without prejudice to making a separate calculation. In the event of discrepancies, the calculation of the technical staff shall be regarded as final.
- 8.4 The type and extent of the incentives for endorsed Energy Efficiency Project under this Department Circular will be subject to the final decision of BOI.

Section 9. Obligations under the Issued Endorsement. All ESCO companies that have availed of the BOI endorsement shall comply with the following obligations:

- 9.1 Submit not later than 30 days, a Project Completion Report to EUMB upon the completion of the EEC project/s using the form prescribed in Annex B.
- 9.2 Submit on a regular basis a Semi-Annual Project Progress Report using the prescribe form (Annex F).
- 9.3 Subject themselves and their projects to an independent verification by the DOE upon the issuance of the guidelines for the same; and
- 9.4 Such other requirements as may be required by the DOE for the attainment of the objectives of the EEC Act and EEC IRR.

The EUMB shall issue guidelines for the effective administration of the procedure for the monitoring, verification and enforcement (MVE): Provided, That the guidelines shall only be issued after public consultation: Provided further, That the effectivity and timelines of any issued guidelines will be mutually agreed upon with the recipient of the incentives.

Section 10. Reportorial Obligation of EUMB. The EUMB shall provide a quarterly report on the endorsed projects to the DOE Secretary.

Section 11. Administration of Endorsed Energy Efficiency Projects. The EUMB shall maintain and publish the Registry of all Energy Efficiency Projects, which availed incentives. The Registry shall contain such pertinent information for purposes of apprising and guiding the public on the benefits of installing such projects.

Section 12. Prohibited Acts. Pursuant to the provisions of the EEC Act and the EEC-IRR, any person or entity or their responsible officers found in violation of any of the prohibited acts enumerated below, shall be held liable thereof for the following acts:

- 12.1 Failure to submit a project completion report within thirty (30) days upon completion of the Energy Efficiency Projects;
- 12.2 Failure to subject themselves and their projects to independent verification by the DOE upon the issuance of the guidelines for the same;
- 12.3 Failure to provide accurate information or the provision of false or misleading information as required to be submitted under the EEC Act, the EEC-IRR, or this Department Circular; and
- 12.4 Failure to comply with issued orders of the DOE in the discharge of its enforcement powers.

Section 13. Administrative Procedures. Upon the determination that any person or entity has committed any of the prohibited acts in Section 12 of this Department Circular, the DOE may consider the following measures prior to the imposition of fines and penalties:

- 13.1 Require an explanation supported by reports, returns and other documents to rebut the alleged commission of the prohibited act;
- 13.2 In cases where an explanation has been issued but the DOE finds a violation because of materially insufficient reports, false returns, non-submission of required documents, provide a recommendation to the said person or entity;
- 13.3 Disclose the name of the person or entity after it has received a recommendation and comply with such recommendation; and
- 13.4 Issue an order in cases where the said person or entity fails to follow or comply with the recommendation of the DOE. The failure on the part of the person or entity to comply with the order shall be a valid ground for the imposition of the administrative fines and penalties in accordance with the Schedule of Penalties and Fines (Annex G).

Section 14. Criminal Action. The DOE, in addition to administrative proceedings against any person or entity for violation of the prohibited acts specified under Section 12 of this Department Circular, may also institute corresponding criminal action against any responsible person, officers and employees of any establishment or organization found criminally liable for the said prohibited acts in accordance with Section 33 of the EEC Act and Section 84 of the EEC IRR.

Section 15. Transitory Clause. All pending applications at the time of the effectivity of this Department Circular shall be governed by the same.

Section 16. Information, Education and Communication Activities. Pursuant to Section 85 of the EEC IRR, the DOE shall develop and undertake a national awareness and advocacy program covering energy efficiency and conservation and pursue partnerships with relevant stakeholders for the appreciation of this Department Circular.

Section 17. Repealing Clause. The provisions of other circulars, orders, issuances, rules and regulations, which are inconsistent with the provisions of this Department Circular are hereby repealed, amended, modified or superseded accordingly.

Section 18. Separability Clause. If for any reason, any section or provision of this Department Circular is declared unconstitutional or invalid; such parts not affected shall remain in full force and effect.

Section 19. Effectivity. This Department Circular shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation. Copies of this Department Circular shall be filed with the University of the Philippines Law Center - Office of the National Administrative Register.

Issued at Energy Center, Bonifacio Global City, Taguig City.

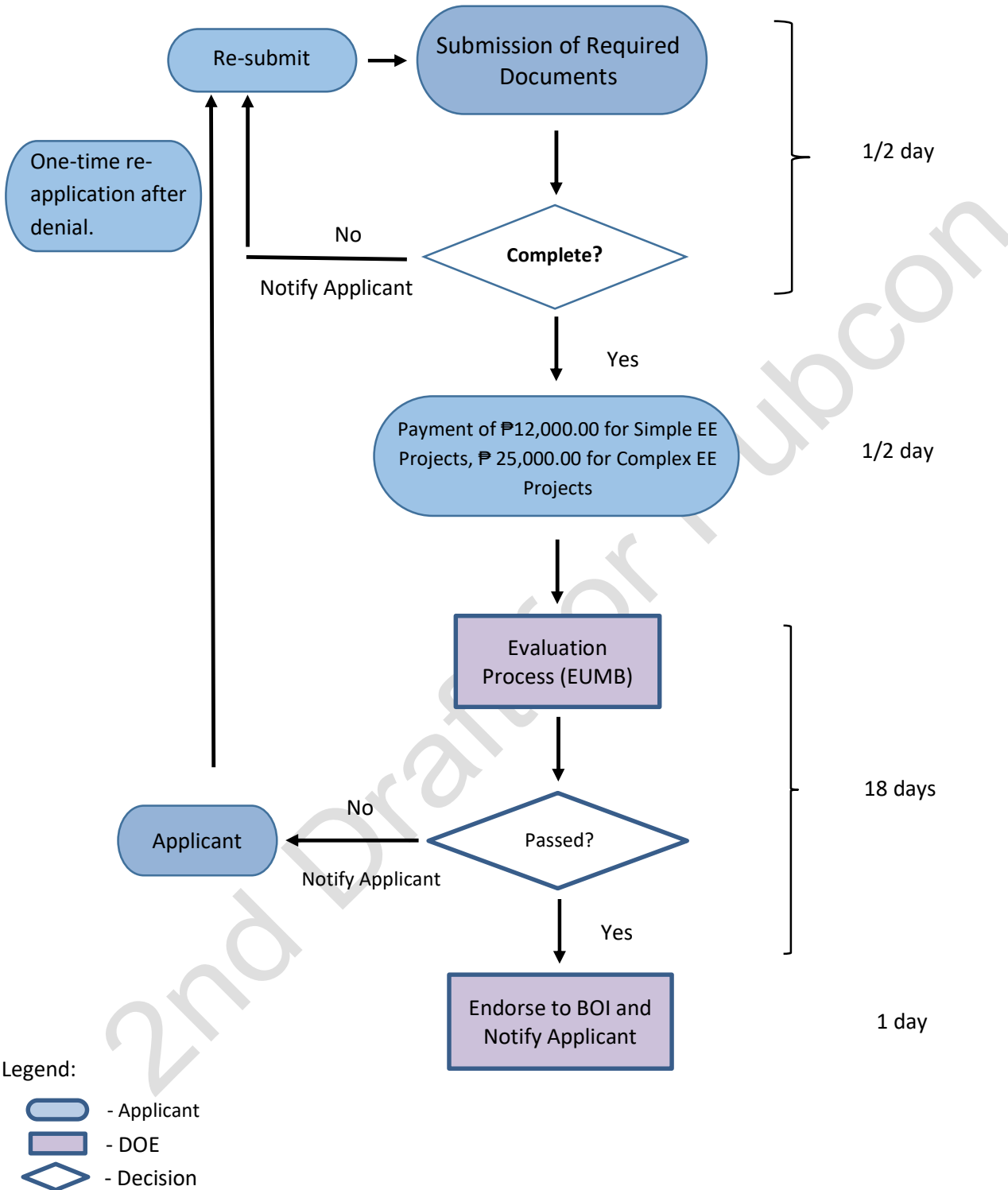
ALFONSO G. CUSI
Secretary



EUMB - EPMPD
Quality Management System
PROCESS FLOW
(ANNEX A)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-001 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
| Page No.: | 1 of 1 |

Flowchart of Endorsement of EE Projects to BOI for Incentives





EUMB - EPMPD
Quality Management System
CHECKLIST OF REQUIREMENTS
(ANNEX B)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-002 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
| Page No.: | 1 of 1 |

CHECKLIST OF REQUIREMENTS
Endorsement of EE&C Projects to BOI for Incentives

1. Cover Letter or Application Letter
2. Copy of DOE issued ESCO Registration or ESCO Certification
3. Copy of Energy Audit Report duly signed by a Registered or Certified Energy Auditor
4. Project Profile (Annex D)
5. Copy of Project Contract or Performance Guaranteed Energy Saving Contract
6. Proof of Payment for Simple Energy Efficiency Projects or Complex Energy Efficiency Projects
7. Report on the Completion of the Project (Annex E)



EUMB - EPMPD
Quality Management System

APPLICATION LETTER
(ANNEX C)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-003 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
| Page No.: | 1 of 1 |

Company Logo/Letterhead

Date

Mr./Ms. _____

Director

Energy Utilization Management Bureau

Department of Energy

Energy Center, Rizal Drive, Bonifacio Global City

Taguig City

Dear **Mr./Ms.** _____:

We would like to express our intent for our energy efficiency project to be endorsed to the Board of Investment (BOI) for fiscal incentives under E.O 226.

Our project is on the (state the EE project activity and location, ex. air-con retrofitting of the entire ABC building on 123 ABC Street, Makati City). In this regard, we would like to submit the following application requirements under Department Circular No. DC2020- (put here the DC number of this circular later on):

1. **Copy of DOE issued ESCO Registration or ESCO Certification (Note: We have two Classification of ESCO: (a) Registered ESCO, and (b) Certified ESCO)**
2. **Copy of Energy Audit Report duly signed by a Registered or Certified Energy Auditor (Note: Registered or Certified Energy Auditor is a requirement under the DC on CECO, CEM and CEA now with the OSEC for signature)**
3. **Project Profile**
4. **Copy of Project Contract or Performance Guaranteed Energy Saving Contract**
5. Other attachments (as deemed necessary by the applicant)

For any queries regarding this application, please do not hesitate to contact Mr./Ms. _____ at our telephone no. 1234-5678 or email address at sample@sample.com.

Thank you and best regards.

Sincerely yours,

(signature)

Juan Dela Cruz

Position



EUMB - EPMPD
Quality Management System
PROJECT PROFILE
(ANNEX D)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-004 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
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Project Profile

1. Name of ESCO and its Office Address:

2. Name of Client and its Office Address:

3. Project Location:

4. Project Title:

5. Project Cost:

6. Project Contract Period of Completion: (No. of Months/Weeks) starting from (Date) to (Date).

7. Project Payback Period: _____

8. Project Return on Investment (ROI): _____

9. Project Start of Commercial Operation: _____

10. Estimated Energy Savings (use applicable Energy Unit):

11. Estimated Equivalent Monetary Savings (Php): _____

12. Estimated Specific Energy Consumption (SEC) Improvement: from a baseline of _____ to _____ (Use applicable energy unit).



EUMB - EPMPD
Quality Management System
REPORT ON THE COMPLETION OF THE ENERGY
EFFICIENCY PROJECT
(ANNEX E)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-005 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
| Page No.: | 1 of 1 |

| Project Title / Description | Installations Made/Measures Adopted | Date started (Month/Day/Year) | Date Completed (Month/Day/Year) | Remarks |
|------------------------------------|--|--------------------------------------|--|----------------|
| | | | | |
| | | | | |

Insert pictures here with brief description of each picture. Minimum of four (4) pictures.
(Note: pictures submitted becomes the exclusive property of the DOE).

2nd Draft for Pubcon



EUMB - EPMPD
Quality Management System
SEMI-ANNUAL PROGRESS REPORT
(ANNEX F)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-006 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
| Page No.: | 1 of 1 |

| Project Title / Description | EE Installations being done | Date started (Month/Day/Year) | % Completion as of Month/Day/Year | Remarks |
|------------------------------------|------------------------------------|--------------------------------------|--|----------------|
| | | | | |
| | | | | |

2nd Draft for Pubcon



EUMB - EPMPD
Quality Management System
SCHEDULE OF FINES AND PENALTIES
(ANNEX G)

| | |
|-----------------|---------------------------|
| Doc Ref No.: | EUMB-EPMPD-BOI-007 |
| Effective Date: | xx-xxxx-xx |
| Revision No.: | 0 |
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SCHEDULE OF FINES AND PENALTIES*

Prior to the imposition of the following penalties and fines, measures stated in Section 12 of the Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investments for Fiscal Incentives shall first be considered (explain, recommend, disclose, order):

| 1st Offense | 2nd Offense | 3rd Offense |
|--------------------|--------------------|--------------------|
| 10,000 - 20,000 | 20,001 - 50,000 | 50,001 - 100,000 |

*The imposition of the administrative fines and penalties stated above shall be on a "per violation" basis and without prejudice to the revocation of the BOI endorsement and/or blacklisting of the responsible entities for future application.