



Republic of the Philippines

DEPARTMENT OF ENERGY

DEPARTMENT CIRCULAR NO. _____

GUIDELINES FOR THE ENDORSEMENT OF ENERGY EFFICIENCY STRATEGIC INVESTMENTS TO THE BOARD OF INVESTMENT 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, 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, Sections 4 and 5 of RA 7638, as amended, mandates for the formulation of policies for the planning and implementation of a comprehensive program for the efficient supply and economical use of energy consistent with the approved national economic plan, and the provision for a mechanism for the integration, rationalization and coordination of the various energy programs of the Government with a preferential bias for environment-friendly, indigenous, and low-cost sources of energy;

WHEREAS, Section 3 of the RA 11285 or the “Energy Efficiency and Conservation Act” (EEC Act) provides for the establishment of a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation, including the promotion of efficient and judicious utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and the delineation of responsibilities among various government agencies and private entities;

WHEREAS, Section 6 (a) and 25 of 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 (EE) projects in the annual Investment Priorities Plan (IPP) for incentives under Executive Order No. (EO) 226, series of 1987 and any other applicable laws for ten (10) years. After the aforementioned period, the BOI shall review extension of inclusion of the EE projects in the investment priorities plan and that EEC projects shall be exempt from Article 32(1) of EO 226;

WHEREAS, Department Circular No. DC2021-05-0011 or “Guidelines for the Endorsement of EE Projects to the BOI for Fiscal Incentives” provides 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;

WHEREAS, Chapter V. Section 300.A.5 of the RA 11534 or the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) states that, processes and innovations that will lead towards the attainment of the sustainable development goals, shall include, but not be limited to, adoption of adequate environmental protection systems and sustainability strategies will be a qualified project or activity for tax incentives under the Strategic Investment Priority Plan;

WHEREAS, the DOE conducted public consultations attended by various stakeholders on _____; and,

WHEREAS, innovations in energy conservation and efficient utilization of energy are among the major strategies of the Government to realize energy self-sufficiency and reduce environmental impacts of energy generation and utilization as instituted in the Philippine Energy Plan (PEP) and the National Energy Efficiency and Conservation Program (NEECP).

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

Section 1. Title. This Department Circular shall be known as the “Guidelines and for the Endorsement of Energy Efficiency (EE) Strategic Investments to the BOI for Fiscal Incentives.

Section 2. Scope and Coverage. This Department Circular shall establish the procedures and criteria for the evaluation, approval, and endorsement of the EE Strategic Investments covering New, Expansion, and Additional EE Projects to the BOI for the availment of Fiscal Incentives.

Section 3. Definition of Terms. This Department Circular hereby adopts by reference, the terms defined in EEC Act, EE-IRR, Department Circular No. DC2020-09-0018 or the “Guidelines in the Administration, Classification and Certification of ESCOs” and Department Circular No. 2021-05-0011 or the “Guidelines for the Endorsement of Energy Efficiency Projects to the Board of Investment for Fiscal Incentives.”

Moreover, the terms used in this Department Circular shall have their respective meanings as follows:

- 3.1 **“Cost-Benefit Analysis”** refers to a process to measure the savings expected from the proposed energy efficiency projects that involves financial metrics, amount of deferred capacity (in MWh) and emission savings (in Mt CO₂e);
- 3.2. **“Technical, Financial and Legal Evaluations”** refers to the process to determine technical sustainability of energy efficiency project with pre-determined weighted technical, financial and legal criteria; and
- 3.3. **“Project Proponent”** refers to the authorized person or entity with legal rights that is responsible for implementing the project.

Section 4. Classification of EE Projects Strategic Investment. In order to fully define the EE Projects, the following new classification are hereby introduced:

- 4.1 **New Energy Efficiency Projects** refers to an innovative energy efficiency project 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 manufacturing and provision of services.
- 4.2 **Flagship Energy Efficiency Project** refers to a energy efficiency development project that is defined under the National Energy Efficiency and Conservation Plan (NEECP) with remarkable technological advances to increase energy efficiency with clear measurement.

- 4.3 **Expansion of Energy Efficiency Project** refers to additional energy efficiency projects to an existing and/or on-going EE project designed to further increase energy savings.

Section 5. Qualifications of an EE Strategic Investment Project. The EE Strategic Investment Project that will realize energy savings and other innovative practices and shall be aligned with the DOE's policy thrusts and roadmaps of Energy Efficiency and Conservation, and Alternative Fuels and Emerging Technologies. Moreover, the New and Flagship EE Project and Expansion of EE Projects shall possess all the attributes:

- 5.1 Projects should not be classified as retrofitting or system upgrade;
- 5.2 Projects should not be covered by other incentives;
- 5.3 Projects with a minimum Project Investment Cost of PhP10,000,000.00;
- 5.4 Projects designed to reduce energy consumption;
- 5.3 Reduction of greenhouse gas emissions;
- 5.4 Contribution to country's economic development;
- 5.5 High potential for job creation activity;
- 5.6 Beneficial to the environment; and
- 5.7 Technologically feasible.

Section 6. Acceptance of EE Strategic Investment Project Proposals. The DOE, through EUMB, shall take into consideration the policy thrusts and the NEECP. Prior to the approval and endorsement to BOI, all prospective applicants shall be subjected to evaluation in a transparent and expeditious manner to ensure sufficient legal, technical, and financial capabilities. Further, a cost-benefit analysis shall be conducted by the DOE to ensure measurements of the savings expected from the proposed EE projects.

Section 7. Process for the Submission, Evaluation and Acceptance of EE Strategic Investment Project Proposal. The following shall be the application procedure for the issuance of a certificate of endorsement to BOI for fiscal incentives:

7.1 Procedure for Submission of Application.

7.1.1 Prospective project proponent shall formally submit their project proposal through written communication addressed to the Director of the Energy Utilization Management Bureau (EUMB) with all relevant supporting documents found in Annex "A";

7.1.2 Within five (5) working days, the EUMB shall acknowledge receipt of the proposal and will be undergoing initial evaluation;

7.1.3 Within thirty (30) working days, the EUMB may accept the proposal, require additional documents, or reject the proposal based on technical, financial, and legal evaluations;

7.1.4 All project proponents shall pay to the DOE a non-refundable fee of PhP12,000.00 prior to the submission of its application and documentary requirements. Proof of payment shall be attached to the application; and

7.1.5 Applicants shall submit an application in a sealed envelope containing a copy of its legal, financial, and technical documents.

7.2 Evaluation and Endorsement Procedures

7.2.1 The proponent must establish the project’s significance in attaining the goals and objectives of EEC Act;

7.2.2 The evaluation process shall involve the verification of the completeness of the submitted documents, legality, financial capacity of the project proponent and cost-benefit analysis of the project that shall be conducted simultaneously and must be completed within thirty (30) working days; and

7.2.3 Application with incomplete documents shall be notified and will be given five (5) working days to submit additional documents. Failure to submit within five (5) working days shall be automatically disqualified and must process a new application.

Section 8. Approval and Endorsement to the BOI for Fiscal Incentive. For the availment of fiscal incentives, the DOE Secretary or his designated Undersecretary shall approve the project proposal and endorse EE Strategic Investment Projects that passed the technical, legal, and financial evaluation criteria along with the cost-benefit analysis report to BOI.

Project Investment Cost	Approving Authority	Incentives
≥ PhP50,000,000.00	Secretary	Income Tax Holiday (ITH), Customs Duty Exemption on Importation of Capital Equipment, Raw Materials, Spare Parts, or Accessories, Value-Added Tax (VAT) Zero-Rating and Exemption
≥ PhP10,000,000.00	Undersecretary	

In coordination with BOI, the DOE shall predetermine the possible incentives that can be availed by the project proponent.

Section 9. Obligations of Endorsed EE Strategic Investment Project. All companies that have been endorsed by the DOE shall comply with the following obligations:

9.1 Submit an Execution Report to the EUMB not later than thirty (30) calendar days upon actual implementation of the energy efficiency project/s using the form prescribed in Annex D;

9.2 Submit an Annual Project Progress Report using the prescribed form (Annex G) during the progress of installation as well as during its commercial operation which shall end based on the estimated payback period;

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.

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

Section 11. Administration of Endorsed EE Strategic Investment Project. The EUMB shall maintain and publish the Registry of all EE Strategic Investment Project 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. Transitory Clause. All pending applications at the time of the effectivity of this Department Circular shall be governed by the same.

Section 13. 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 14. 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 15. 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 16. Effectivity. This Department Circular shall take effect fifteen (15) days following its publication in at least two (2) newspapers of general circulation. A copy 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