

[REPUBLIC ACT NO. 9367, January 12, 2007]

AN ACT TO DIRECT THE USE OF BIOFUELS, ESTABLISHING FOR THIS PURPOSE THE BIOFUEL PROGRAM, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* - This Act shall be known as the "Biofuels Act of 2006.

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to reduce dependence on imported fuels with due regard to the protection of public health, the environment, and natural ecosystems consistent with the country's sustainable economic growth that would expand opportunities for livelihood by mandating the use of biofuels as a measure to:

- a. develop and utilize indigenous renewable and sustainably-sourced clean energy sources to reduce dependence on imported oil;
- b. mitigate toxic and greenhouse gas (GHG) emissions;
- c. increase rural employment and income; and
- d. ensure the availability of alternative and renewable clean energy without any detriment to the natural ecosystem, biodiversity and food reserves of the country.

SEC. 3. *Definition of Terms.* - As used in this Act, the following terms shall be taken to mean as follows:

- a. *AFTA* - shall refer to the ASEAN Free Trade Agreement initiated by the Association of Southeast Asian Nations;
- b. *Alternative Fuel Vehicles/Engines* - shall refer to vehicles/engines that use alternative fuels such as biodiesel, bioethanol, natural gas, electricity, hydrogen and automotive LPG, instead of gasoline and diesel;
- c. *Bioethanol* - shall refer to ethanol (C₂H₅OH) produced from feedstock and other biomass;
- d. *Biodiesel* - shall refer to Fatty Acid Methyl Ester (FAME) or mono-alkyl esters derived from vegetable oils or animal fats and other biomass-derived oils that shall be technically proven and approved by the DOE for use in diesel engines, with quality specifications in accordance with the Philippine National Standards (PNS);
- e. *Bioethanol Fuel* - shall refer to hydrous or anhydrous bioethanol suitably denatured for use as motor fuel, with quality specifications in accordance with the PNS;
- f. *Biofuel* - shall refer to bioethanol and biodiesel and other fuels made from biomass and primarily used for motive, thermal and power generation, with quality specifications in accordance with the PNS;

- g. *Biomass* - shall refer to any organic matter, particularly cellulosic or ligno-cellulosic matter, which is available on a renewable or recurring basis, including trees, crops and associated residues, plant fiber, poultry litter and other animal wastes, industrial wastes, and the biodegradable component of solid waste;
- h. *DA* - shall refer to the Department of Agriculture created under Executive Order No. 116, as amended;
- i. *Diesel* - shall refer to refined petroleum distillate, which may contain small amounts of hydrocarbon or nonhydrocarbon additives to improve ignition quality or other characteristics, suitable for compression ignition engine and other suitable types of engines with quality specifications in accordance with the PNS;
- j. *DENR* - shall refer to the Department of Environment and Natural Resources created under Executive Order No. 192, as amended;
- k. *DOE* - shall refer to the Department of Energy created under Republic Act No. 7638, as amended;
- l. *DOLE* - shall refer to the Department of Labor and Employment created under Executive Order No. 126, as amended;
- m. *DOF* - shall refer to the Department of Finance created under Administrative Order Nos. 127 and 127.A;
- n. *DOST* - shall refer to the Department of Science and Technology created under Republic Act No. 2067;
- o. *DOTC* - shall refer to the Department of Transportation and Communications created under Executive Order No. 125-A, as amended;
- p. *DTI* - shall refer to the Department of Trade and Industry created under Executive Order No. 133;
- q. *Feedstock* - shall refer to organic sources such as molasses, sugarcane, cassava, coconut, jatropha, sweet sorghum or other biomass used in the production of biofuels;
- r. *Gasoline* - shall refer to volatile mixture of liquid hydrocarbon, generally containing small amounts of additives, suitable for use as a fuel in spark-ignition internal combustion engines with quality specifications in accordance with the PNS;
- s. *Motor fuel* - shall refer to all volatile and inflammable liquids and gas produced, blended or compounded for the purpose of, or which are suitable or practicable for, operating motor vehicles;
- t. *MTBE* - shall refer to Methyl Tertiary Butyl Ether;
- u. *NBB or Board* - shall refer to the National Biofuel Board created under Section 8 of this Act;
- v. *Oil Company* - shall refer to any entity that distributes and sells petroleum fuel products;
- w. *Oxygenate* - shall refer to substances, which, when added to gasoline, increase the amount of oxygen in that gasoline blend;
- x. *PNS* - shall refer to the Philippine National Standards; consistent with Section 26 of R.A. No. 8749, otherwise known as the "Philippine Clean Air Act of 1999";
- y. *Renewable Energy Sources* - shall refer to energy sources that do not have an upper limit on the total quantity to be used. Such resources are renewable on a regular basis; and
- z. *WTO* - shall refer to the World Trade Organization.

SEC. 4. *Phasing Out of the Use of Harmful Gasoline Additives and/or Oxygenates.* - Within six months from the effectivity of this Act, the DOE, according to duly

accepted international standards, shall gradually phase out the use of harmful gasoline additives such as, but not limited to, MTBE.

SEC. 5. *Mandatory Use of Biofuels.* - Pursuant to the above policy, it is hereby mandated that all liquid fuels for motors and engines sold in the Philippines shall contain locally-sourced biofuels components as follows:

5.1 Within two years from the effectivity of this Act, at least five percent (5%) bioethanol shall comprise the annual total volume of gasoline fuel actually sold and distributed by each and every oil company in the country, subject to the requirement that all bioethanol blended gasoline shall contain a minimum of five percent (5%) bioethanol fuel by volume: *Provided*, That the ethanol blend conforms to PNS.

5.2 Within four years from the effectivity of this Act, the NBB created under this Act is empowered to determine the feasibility and thereafter recommend to DOE to mandate a minimum of ten percent (10%) blend of bioethanol by volume into all gasoline fuel distributed and sold by each and every oil company in the country.

In the event of supply shortage of locally-produced bioethanol during the four-year period, oil companies shall be allowed to import bioethanol but only to the extent of the shortage as may be determined by the NBB.

5.3 Within three months from the effectivity of this Act, a minimum of one percent (1%) biodiesel by volume shall be blended into all diesel engine fuels sold in the country: *Provided*, That the biodiesel blend conforms to PNS for biodiesel.

Within two years from the effectivity of this Act, the NBB created under this Act is empowered to determine the feasibility and thereafter recommend to DOE to mandate a minimum of two percent (2%) blend of biodiesel by volume which may be increased taking into account considerations including but not limited to domestic supply and availability of locally-sourced biodiesel component.

SEC. 6. *Incentive Scheme.* - To encourage investments in the production, distribution and use of locally-produced biofuels at and above the minimum mandated blends, and without prejudice to enjoying applicable incentives and benefits under existing laws, rules and regulations, the following additional incentives are hereby provided under this Act.

a. Specific tax

The specific tax on local or imported biofuels component, per liter of volume shall be zero (0). The gasoline and diesel fuel component shall remain subject to the prevailing specific tax rates.

b. Value Added Tax

The sale of raw material used in the production of biofuels such as, but .not limited to, coconut, jatropha, sugarcane, cassava, corn, and sweet sorghum

shall be exempt from the value added tax.

c. Water Effluents

All water effluents, such as but not limited to distillery slops from the production of biofuels used as liquid fertilizer and for other agricultural purposes are considered "reuse", and are therefore, exempt from wastewater charges under the system provided under Section 13 of RA No. 9275, also known as the Philippine Clean Water Act: *Provided, however,* That such application shall be in accordance with the guidelines issued pursuant to R.A. No. 9275, subject to the monitoring and evaluation by DENR and approved by DA.

d. Financial Assistance

Government financial institutions, such as the Development Bank of the Philippines, Land Bank of the Philippines, Quedancor and other government institutions providing financial services shall, in accordance with and to the extent allowed by the enabling provisions of their respective charters or applicable laws, accord high priority to extend financing to Filipino citizens or entities, at least sixty percent (60%) of the capital stock of which belongs to citizens of the Philippines that shall engage in activities involving production, storage, handling and transport of biofuel and biofuel feedstock, including the blending of biofuels with petroleum, as certified by the DOE.

SEC. 7. Powers and Functions of the DOE - In addition to its existing powers and functions, the DOE is hereby mandated to take appropriate and necessary actions to implement the provisions of this Act. In pursuance thereof, it shall within three months from the effectivity of this Act:

- a. Formulate the implementing rules and regulations under Section 15 of this Act;
- b. Prepare the Philippine Biofuel Program consistent with the Philippine Energy Plan and taking into consideration the DOES existing biofuels program;
- c. Establish technical fuel quality standards for biofuels and biofuel-blended gasoline and diesel which comply with the PNS;
- d. Establish guidelines for the transport, storage and handling of biofuels;
- e. Impose fines and penalties against persons or entities found to have committed any of the prohibited acts under Section 12 (b) to (e) of this Act;
- f. Stop the sale of biofuels and biofuel-blended gasoline and diesel that are not in conformity with the specifications provided for under Section 5 of this Act, the PNS and corresponding issuances of the Department; and
- g. Conduct an information campaign to promote the use of biofuels.

SEC. 8. Creation of the National Biofuel Board (NBB). -The National Biofuel Board is hereby created. It shall be composed of the Secretary of the DOE as Chairman and the Secretaries of the DTI, DOST, DA, DOF, DOLE, and the Administrators of the PCA, and the SRA, as members.

The DOE Secretary, in his capacity as Chairperson, shall, within one month from the effectivity of this Act, convene the NBB.

The Board shall be assisted by a Technical Secretariat attached to the Office of the Secretary of the DOE. It shall be headed by a Director to be appointed by the Board.