Headline: Tax perks dangled to pull more ‘green’ energy investments to PH

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MANILA, Philippines—As the Philippines bears the brunt of typhoons getting stronger because of climate change, the government hoped to bring in more renewable energy sources through generous tax perks, according to President Rodrigo Duterte’s chief economic manager on Monday (Nov. 2).

“The Philippines seeks to decrease reliance on carbon-based energy through various policy actions geared toward promoting investments towards greener sources of energy,” Finance Secretary Carlos G. Dominguez III said, citing a moratorium on new coal-fired power plants imposed by the Department of Energy (DOE).

Together with performance-based fiscal incentives in the proposed CREATE bill, Dominguez said the government “will steer private capital towards new investments in renewable energy.” CREATE, or Corporate Recovery and Tax Incentives for Enterprises, seeks to slash firms’ income tax rate from 30 percent, the highest in Asean, to 25 percent. It also seeks to provide perks to priority industries to speed up economic recovery after the pandemic.

Dominguez said the Department of Finance (DOF) was committed to strong climate action as it pushed for the grant of “generous, performance-based” tax incentives to the renewable energy sector under the government’s strategic investment priority plan.

Also, the fiscal perks currently being enjoyed by “green” energy projects under Republic Act (RA) No. 9513 or the Renewable Energy Act of 2008 will be retained, Dominguez said.

“Green” projects will also be extended with enhanced income-tax deduction for their research and development (R&D;) activities. “Renewable energy firms stand to benefit from this as they develop new technologies and innovations,” Dominguez said. “The enhanced deduction is designed to boost innovations, such as efficient power generation and improved battery technology,” he added.

As firms shift to “green” jobs, CREATE will provide bigger income-tax deduction for labor force training, which Dominguez said give incentives to “developing highly skilled workers especially during this transition towards the fourth industrial revolution.”

The Philippine Statistics Authority (PSA) reported last week that the damage wrought by natural disasters and extreme weather events had reached P463 billion from 2010 to 2019.

The agriculture, infrastructure and communications sectors took the heaviest hit from calamities, PSA data showed.

In October, Dominguez told his fellow finance ministers at a meeting on climate action that “unlike COVID-19, for which a vaccine will likely be produced soon, there is no quick solution for the climate crisis.”

“We need to act now with the same sense of urgency that we have for the ongoing pandemic,” he said.

“There is no Planet B. We either save the Earth or perish with it,” Dominguez told a separate online seminar organized by the European Union’s (EU) delegation to the Philippines in October.

Acting Socioeconomic Planning Secretary Karl Kendrick T. Chua on Monday said that the recent string of strong typhoons, like Rolly and Quinta, would have the heaviest impact on agriculture, putting at risk the gains made even during the COVID-19 pandemic when it was the only industry that posted growth.

“Our experience with past typhoons made us more resilient, yet strong typhoons that occur in largely agricultural regions have major impact on the sector, as the Department of Agriculture’s (DA) preliminary estimate show,” said Chua, who heads the state planning agency National Economic and Development Authority (Neda).

Chua, however, expressed optimism that the agricultural damage wrought by typhoons will not result in farmers and vulnerable households sliding back to poverty.

“This year, agriculture growth has improved, and keeping the food supply chain open is key to helping both farmers and households. Low food inflation and positive agriculture [contribution to] gross domestic product (GDP) thus far are helping,” Chua said.

While bulk of the economy shed trillions of pesos in output and millions of jobs at the height of the longest and strictest lockdown in the region, Chua had noted that farmers and fishermen in the countryside — where there were relatively fewer COVID-19 cases — had managed to sustain their livelihood.

PSA data showed that while nationwide poverty incidence fell to 16.7 percent in 2018 from 23.3 percent in 2015, those living and working in rural areas remained poorer compared with those in urban parts of the country.

Poverty incidence on a per sector basis showed that the highest rates in 2018 — although lower than 2015 figures — were recorded among farmers (31.6 percent in 2018, down from 40.8 percent in 2015); fishermen (26.2 percent, down from 36.9 percent) and individuals residing in rural areas (24.5 percent, down from 34 percent).

Past typhoons had left the Philippines reeling — for one, the Washington-based multilateral lender World bank had estimated that super-typhoon Yolanda (international name: Haiyan) slashed 0.9 percent from GDP growth in 2013, on top of another 0.3-percent reduction in 2014.

Yolanda — which flattened central Philippines — had also resulted in 2.3 million Filipinos falling below the poverty line, especially those in the badly hit areas.

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