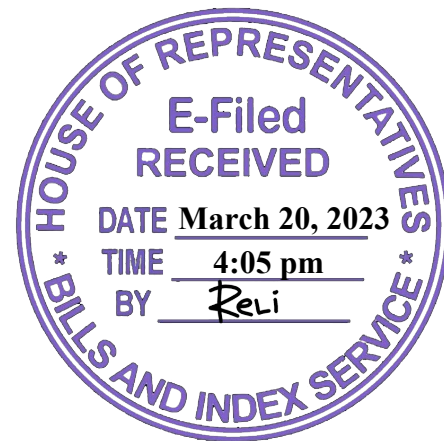


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 7705



Introduced by **HON. EDGAR M. CHATTO**
First District, Bohol

EXPLANATORY NOTE

According to the Intergovernmental Panel on Climate Change (IPCC), human activities are estimated to have caused approximately 1.0°C of global warming above pre-industrial levels, with a likely range of 0.8°C to 1.2°C. Global warming will likely reach 1.5°C between 2030 and 2052, if it continues to increase at the current rate. Climate-related risks to health, livelihoods, food security, water supply, human security, and economic growth are projected to increase with global warming of 1.5°C and increase further with 2°C. Amidst this looming scenario, our economy is growing at a considerable pace. The challenge before us then is to accelerate economic growth without compromising our environment.

As part of the Philippines' commitment to the Paris Agreement on Climate Change, the country submitted its Nationally Determined Contribution (NDC) on 15 April 2021, which sets a 75-percent greenhouse gas (GHG) emission reduction and avoidance from 2020 to 2030.

The Philippines' NDC supports the country's national development objectives and priorities including transformation of its socio-economic sectors towards a climate and disaster-resilient and low carbon economy. This bill is essentially built on the principles of the NDC, and the same time encourages low carbon just transition.

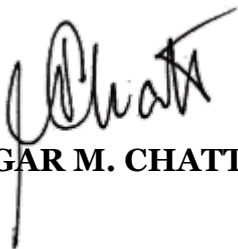
The National Climate Change Action Plan (NCCAP) identified the establishment of a national system for the archiving, reporting, monitoring, and evaluation of greenhouse gas (GHG) emissions as support for better planning for climate change adaptation and mitigation actions. Other climate change programs such as the National Climate Risk Framework (NCRMF) and Climate Change Expenditure Tagging (CCET) were also established.

Upon the recommendation of the NDC Steering Committee and in consultation with the industrial sector, the Department of Environment and Natural Resources (DENR) shall set an annual cap on the GHG emissions of entities. To cushion the impact of a cap, this bill allows trading of credits. Entities with excess GHG emissions may buy allowances from the market, while those with less GHG emissions may sell their allowances to the market. This trading mechanism allows for a pseudo-financial market with the additional benefit of maintaining the target emissions in the economy.

The NDC espouses market- and non-market-based approaches under the United Nations Framework Convention on Climate Change (UNFCCC) to achieve low carbon outcomes. The emissions trading system is included as a market mechanism.

Undoubtedly, the above system would accelerate the reduction of GHG emissions, encourage the use of low carbon technologies, and ensure benefits to consumers from trading in allowances.

In view of the above, the passage of this bill is earnestly sought.



EDGAR M. CHATTO

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HOUSE BILL NO. 7705

Introduced by **HON. EDGAR M. CHATTO**
First District, Bohol

AN ACT
PROMOTING A LOW CARBON ECONOMY, ESTABLISHING FOR THIS
PURPOSE AND EMISSION TRADING SYSTEM AND IMPLEMENTATION
MECHANISM TO ACHIEVE NATIONAL CLIMATE TARGETS

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

ARTICLE 1
General Provisions

SECTION 1. Short Title. - This Act shall be known as the “Low Carbon Economy Act of 2022.”

SECTION 2. Declaration of Policy. - It is the policy of the State to promote sustainable development and adherence to the internationally agreed frameworks for mitigation of climate change and decreased vulnerability to its impacts. Towards this end, there is a need to maximize the contribution of the industrial and commercial sectors in reducing greenhouse gas emissions (GHG) and minimize the adverse effects of climate change through the establishment of a policy environment for technological development and transfer, capacity building, sustainable finance supporting just transition towards low carbon economy, including the configuration of a nationally-appropriate market-driven system of tradable GHG allowances, among other options, to optimize the country’s carbon goal-based transformation. The participation of LGUs, academe, non-government stakeholders, especially champions in critical industries for just transition, banking, and financial institutions, civil society, and the development partners shall be ensured.

State-of-the-art and emerging low carbon technologies suitable for the Philippine conditions, especially those that will increase the livelihoods and productivity of the sectors concerned, and that will usher in just transition in all GHG-emitting socio-economic sectors with an emphasis on the energy and transport sector, including those that will impact to building resilience and investments at the most vulnerable communities, shall be supported under the Means of Implementation under the Paris Agreement. Bilateral and multilateral approaches shall be optimized in ensuring accelerated flow of support to the country under this Act.

Sustainable mobilization of financial resources, technological innovation, and capacitation of both human resources and institutions, both government and non-government, shall be a primary support mechanism under this Act.

SECTION 3. Definition of Terms. - For the purposes of this Act, the following terms are defined:

- a. “The Paris Agreement” shall refer to a legally binding international treaty on climate change adopted by 196 Parties at the 21st Session of the Conference of the Parties (COP 21) in Paris, on 12 December 2015 and entered into force on 4 November 2016, with a goal to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels;¹
- b. “Low Emission Development Strategy (LEDS)” shall refer to a national, high-level, comprehensive, long-term strategy, developed by domestic stakeholders, which aims at decoupling economic growth and social development from GHG growth;²
- c. “Low Carbon Technology” shall refer to the means of equipment, methods, knowledge and other modalities for low-carbon or carbon-free;³
- d. “Sustainable Development” shall refer to development that meets the needs of the present without compromising the ability of future generations to meet their own needs;⁴
- e. “Just Transition” shall refer to maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any social disruption, political and social risks – through effective social dialogue among all groups impacted, and respect for fundamental labor principles and rights;⁵
- f. “Common but Differentiated Responsibilities and Respective Capabilities (CBDRRC)” shall refer to the principle recognizing that each country vary in terms of contributions to global environmental degradation, and acknowledging that developed countries should bear primary responsibilities in the international pursuit of sustainable development, including the pressures put by their societies to the environment, their command on technologies and financial resources, and their contribution to the largest proportion of historical and current GHG emissions;^{6,7}
- g. “Climate Justice” shall refer to the allocation of burdens and benefits among individuals, nations and generations;⁸
- h. “Net Zero Economy” shall refer to the means of cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for instance;⁹
- i. “Carbon Dioxide Equivalent” shall refer to the quantity of carbon dioxide that makes the same contribution to global warming as a given amount of greenhouse gas, taking into account the global warming potentials published by the Intergovernmental Panel on Climate Change;

¹<https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement#:~:text=The%20Paris%20Agreement%20is%20a,compared%20to%20pre%2Dindustrial%20levels.>

² <https://www.transparency-partnership.net/sites/default/files/giz2013-en-climate-leds.pdf>

³ Lv, Jinfang & Qin, Shusheng. (2016). On Low-Carbon Technology. Low Carbon Economy.

⁴ <https://www.un.org/sustainabledevelopment/development-agenda/>

⁵ https://www.ilo.org/global/topics/green-jobs/WCMS_824102/lang--en/index.htm

⁶ Principle 7 of the Rio Declaration on Environment and Development. (1992). Report of the United Nations Conference on Environment and Development.

https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.151_26_Vol.I_Declaration.pdf. Page 2.

⁷ Yuli Chen (January 2021), *Reconciling common but differentiated responsibilities principle and no more favourable treatment principle in regulating greenhouse gas emissions from international shipping*.

⁸ https://www.ipcc.ch/report/ar6/wg2/downloads/IPCC_AR6_WGII_SummaryForPolicymakers.pdf

⁹ <https://www.google.com/url?q=https://www.un.org/en/climatechange/net-zero-coalition&sa=D&source=docs&ust=1658204786035965&usg=AOvVaw383PaeSmA9t-KOEhh57qYj.>

- j. “Greenhouse Gas (GHG)” shall refer to the following gases covered under the 2006 Intergovernmental Panel on Climate Change (IPCC) guidelines: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride, or any other anthropogenically-emitted gas that is estimated by the Philippine Greenhouse Gas Inventory Management and Reporting System (PGHGIMRS) agencies to contribute to global warming;
- k. “Covered Sector” shall refer to the industry and commercial sectors and/or, to sectors as may be determined appropriate by the oversight body;
- l. “Levels of GHG Inventory” shall refer to different levels as prescribe by the DENR-EMB such as global, national, community, sectoral, entity, product, facility and projects; and
- m. “Sector/s” shall refer to the sectors prescribed under the IPCC guidelines used as basis for the Philippine Nationally Determined Contribution (NDC), including: agriculture, forestry and other land use, waste, industrial processes and product use (IPPU), energy, and transport.

ARTICLE 2

Philippine Greenhouse Gas Inventory Management and Reporting System (PGHGIMRS)

SECTION 4. *Institutionalization of the PGHGIMRS.* - The PGHGIMRS under Executive Order (EO) No. 174, s. 2014 is hereby institutionalized, to facilitate the GHG inventory management and reporting system in relevant government agencies to enable the country to transition towards a climate-resilient pathway for sustainable development.

SECTION 5. *Implementing Agency.* - The Climate Change Commission (CCC) shall be the overall lead in the implementation of the PGHGIMRS. It shall be responsible to:

- a. Provide direction and guidance in the accounting and reporting of GHG emissions from identified key source sectors in order to develop and maintain centralized, comprehensive, and integrated data on GHGs in all levels of inventory particularly community-level and entity-level;
- b. Develop a system for the archiving, reporting, monitoring, and evaluating GHG inventories in all key levels; and
- c. Provide and facilitate continuous capacity building initiatives in the conduct of GHG inventories to ensure the application of updated methodologies.

GHG data analytics generated under this measure shall be a reference for the successive enhancement of the NDCs, especially in identifying policies and measures that could be pursued economy-wide, respecting sectoral challenges and opportunities for transformation, including human resources and cost or capital requirements appropriate for government and non-government and industry stakeholders.

SECTION 6. *Sectoral Agencies.* - The following shall be the lead sectoral agencies for the GHG inventories:

- a. Department of Agriculture (DA) and the Philippine Statistics Authority (PSA) for the agriculture Sector;
- b. Department of Energy (DOE) for the wnergy sector;
- c. Department of Environment and Natural Resources (DENR) for the waste, industrial processes, and the forestry and other land-use sectors; and
- d. Department of Transportation (DOTr) for the transport sector.

The Department of Science and Technology (DOST), Department of Health (DOH), Department of Public Works and Highways (DPWH), and Department of Tourism (DOT) shall also be considered in ensuring close collaboration of the sectors concerned in informing transformative options under the NDC.

The CCC shall invite the concerned local government units (LGUs), academe, and private and public institutions to participate, complement, and assist in the implementation of the PGHGIMRS and this Act.

The PSA may assist other lead agencies in the conduct of the sectoral GHG inventories.

The Department of the Interior and Local Government (DILG), as an oversight agency for local governments, shall ensure the compliance of local governments through:

- i. Issuance of guidelines for accounting community-scale GHG emissions, managing community-scale GHG inventories, and mainstreaming the results and findings thereof in the Comprehensive Development Plan (CDP) and subsequent programming processes, in coordination with the CCC;
- ii. Provision of continuous capacity building to local governments related to the foregoing;
- iii. Incorporation in the Seal of Good Local Government mechanism of the compliance of local governments; and
- iv. Monitoring of the compliance of local governments

The DENR, Department of Trade and Industry (DTI), and Securities and Exchange Commission (SEC) shall serve as oversight agencies in ensuring the compliance of entities in the preparation and management of entity-level greenhouse gas inventories, the reporting of mitigation measures addressing the results and findings of the foregoing, and monitoring and reporting thereof through the issuance of relevant policies and guidelines, and continuous capacity building.

SECTION 7. *Responsibilities of the Lead Agencies for National GHG Inventories.*

- The lead agencies shall be responsible for the following:

- a. Conduct, document, archive, and monitor sector-specific GHG inventories;
- b. Report sector-specific GHG inventories/emissions to the CCC based on the agreed reporting scheme; and
- c. Perform such other functions as may be necessary for the implementation of this Act.

SECTION 8. *Reports.* - The CCC shall submit to the President and to both Houses of Congress an annual report on the status of the implementation of the PGHGIMRS. The PGHGIMRS shall prepare a report or a technical annex to the Biennial Transparency Report on the National GHG Inventory of certain inventory year/s in accordance with the timeline identified during the inventory planning stage under the Section 2 of Rule II of the Adopted Implementing Rules and Regulations of the EO 174 s. 2014.

SECTION 9. *National GHG Inventory.* - The PGHGIMRS shall endeavor to use the 2019 Refinement of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories, with consideration to the national circumstances of the country, including

applicable flexibilities accorded to Non-Annex I Country Parties of the Paris Agreement, which includes the Philippines.

ARTICLE 3 **Nationally Determined Contribution (NDC)**

SECTION 10. *Components of the Philippine NDC.* - The NDC serves as the long-term, multi-decadal roadmap on GHG mitigation and climate-resilience of the Philippines, with a goal to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gasses in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty, in observance of the fundamental consideration of climate change adaptation as the core strategy of the Philippines on climate action.

Pursuant to the Philippines' commitment under the Paris Agreement, the Government shall prepare, communicate and maintain successive NDCs. It shall communicate an NDC to the UNFCCC every five (5) years.

The NDC shall include, but not be limited to, the following components:

- a. GHG emissions avoidance measures and mitigation potential;
- b. Mitigation co-benefits in adaptation, sustainable development, and poverty reduction;
- c. Means of implementation such as through finance, capacity building, technology transfer and development;
- d. Gaps and needs; and
- e. System for monitoring, evaluation, and reporting to enable participation of relevant stakeholders to address challenges and meet the objectives of inclusive just transition.

It must endeavor to indicate the Philippines' strategic directions and measures to build resilience and balance the investments and opportunities for just transition, by leveraging on the capacity of local governance units to transform the socio-economic conditions of the people, up to the smallest units of governance, through the Means of the Implementation espoused under the Paris Agreement.

SECTION 11. *The NDC Steering Committee.* - The CCC shall be the overall lead in the development, implementation, and monitoring and evaluation of the NDC, with the following agencies as members, to comprise the NDC Steering Committee:

- a. National Economic and Development Authority (NEDA) - lead agency for the economy-wide GHG emissions modelling vis-a-vis gross domestic product (GDP) projections, integration in the Philippine Development Plan (PDP) that is spatially articulated through the National Spatial Strategy, and sectorally articulated through PDP chapters, and ensuring vertical coherence through Regional Development Plans and corresponding regional development strategies;
- b. Department of Agriculture (DA) - lead agency for the agriculture sector;
- c. Department of Energy (DOE) - lead agency for the energy sector;
- d. Department of Environment and Natural Resources (DENR) - lead agency for the waste, industrial processes and product use (IPPU) and forestry and other land use (FOLU), in coordination with Department of Human Settlements and Urban Development (DHSUD);
- e. Department of Transportation (DOTr) - lead agency for the transport sector;

- f. Department of Foreign Affairs (DFA) - lead agency to facilitate, along with the CCC, coordinating with the development partners viable, country-driven, needs-based technical assistance, as may be recommended by agencies concerned, consistent with the PDP and other investment and resilience-related and the multi-decadal climate action planning and programming framework;
- g. Department of Finance (DOF), to coordinate on matters concerning fiscal policies related to climate change and monitor and report measures on climate finance, including recommendations on matters related to receiving donations and/or grants by the CCC under RA 10174;
- h. Department of Budget and Management (DBM), to ensure annual appropriations for implementation of unconditional PAMs;
- i. Department of Labor and Employment (DOLE), to ensure that the provisions of this Act are aligned with the Green Jobs Act;
- j. Department of Science and Technology (DOST), to facilitate innovation options through technology development and transfer appropriate to the conditions of the subnational units and relevant stakeholders, linking said initiative towards enhancing human capital development in coordination with industries, higher education institutions, LGUs, among others;
- k. Department of the Interior and Local Government (DILG), to facilitate coordination with the various subnational governance units to ensure they contribute to the continuing enhancement and implementation of the NDCs, especially on informing transformative options for investment and resilience building purposes, consistent with local development opportunities and priorities, as may be incorporated in their respective CDPs, Annual Investment Plans (AIPs), and Local Climate Change Action Plan (LCCAPs);
- l. Department of Health (DOH), to lead in the determination of low-carbon investments, efficient transformation of the health sector consistent with energy just transition and sustainable consumption and production, and health co-benefits measurement of climate mitigation in other sectors;
- m. Department of Public Works and Highways (DPWH), to integrate the policies and measures under the Build-Build-Build Program, and ensure the mainstreaming of policies and regulations on infrastructure component of the NDC for implementation industry-wide and by the LGUs, in coordination with the DILG;
- n. Department of Tourism (DOT), to consider nature-based solutions in developing, promoting, and monitoring tourism enterprises consistent with whole of ecosystem approaches, creation of green jobs, and sustainable consumption and production that benefit the various LGUs, for inclusive and responsible, climate-aligned tourism sector;
- o. Department of Human Settlements and Urban Development (DHSUD), to effectively and efficiently link local investment and transformation through the NDC alignment with the various local plans under its jurisdiction, to ensure integrated low carbon development and sustainable development options under the New Urban Agenda, especially the vulnerable communities;
- p. The Department of Trade and Industry (DTI), together with the Board of Investments (BOI), to ensure investment opportunities of the local industries, especially the micro, small, and medium enterprises (MSMEs), are considered in the just transition mechanism under the NDC; and
- q. The Education Sector, namely the Department of Education (DepEd) and Commission on Higher Education (CHED) , to ensure the proper information, education, and communication (IEC), contribute to research development, extension, and innovation and assist in the implementation of this Act.

The Members of the CCC Advisory Board and the National Panel of Technical Experts (NPTE) under Republic Act No. 9729, as amended, and other government agencies and stakeholders in the areas of coastal resources, health, agriculture, water, forestry, biodiversity, environment, ecosystem, energy, education, tourism, trade, infrastructure, and settlement, among others, shall participate in the development and implementation of the NDC.

To ensure alignment among development plans and climate change strategies, the NEDA and CCC shall be responsible for harmonizing and ensuring the complementation of NDC with national and local development planning instruments. The NEDA shall integrate the NDC into the Philippine Development Plan. The CCC and DILG shall assist LGUs in the integration of the NDC in the LCCAPs, Local Development Plans (LDPs), and Comprehensive Land Use Plans (CLUP).

The NDC Steering Committee shall formulate the NDC policies and measures based on the best available science and in keeping with robust development and transformative aspirations of the country, consistent with national circumstances.

The CCC, along with the national government agencies (NGAs) concerned, shall establish a local NDC Steering Committee to jumpstart and sustain local-based transformative strategies in alignment with the NDC, subject to the issuance of policy guidance following multi-sectoral consultation, especially with the Regional Development Councils (RDCs) under the supervision of the NEDA.

Specifically, the RDCs shall be considered points of convergence for low carbon development at the regional or subnational levels that inform pathways for transformation, including optimization of investment options, as may be aligned with physical and socio-economic challenges due to climate change impacts.

Parallel effort shall be the formation of local counterparts for scientific and technological advice to said Sub-National Steering Committees to be comprised of the members of the NPTE and field units of the DOST, subject to the issuance of policy guidance by the CCC and DOST, especially with regard to engaging the Higher Education Institutions (HEIs) /State Universities and Colleges (SUCs) through CHED.

The CCC should formulate and implement robust communication and advocacy strategies, in coordination with relevant government and non-government stakeholders, across levels of governance, to ensure that the low carbon development directions are communicated effectively to inspire convergence at the broadest scope possible, up to the smallest unit of governance.

SECTION 12. *Allocation of funds.* - The aforementioned agencies shall allocate from their annual appropriations adequate funds for the implementation of their mandates, including training and capacity building, under this Act, subject to support under the mechanism of the Means of Implementation of the Paris Agreement.

SECTION 13. *Annual Report on the NDC Implementation.* - The CCC and NDC Steering Committee shall submit to the President and to both Houses of Congress, not later than 30 March of every year following the effectivity of this Act, a progress report on the implementation of the NDC, and recommend legislation, where applicable and necessary.

ARTICLE 4

Local Climate Change Action Plan (LCCAP) Quality Assessment Review System

SECTION 14. *LCCAP.* - Pursuant to Section 14 of RA 9729, the LGUs are the frontline agencies in the formulation, planning, and implementation of LCCAPs in their respective areas consistent with the Local Government Code, the National Strategic Framework on Climate Change (NSFCC), and the National Climate Change Action Plan (NCCAP).

The LCCAP shall describe strategic policy measures of the LGUs to reduce/avoid greenhouse gas emission (mitigation actions) and increase the community's resilience (adaptation actions) to the negative impacts of climate change.

Further, the LCCAP shall indicate the transformative opportunities present in LGUs towards green or low emission technological capacity building innovations that will support long-term low emission industrial development, livelihoods, ecosystems and environment, and well-being of the people, especially those most exposed to climate hazards. The modification of baseline information consistent with the best available science shall be pursued to inform the investment planning and programming aligned with the multi-decadal climate considerations, especially the location of human settlements and vital infrastructure programs of the government, including those pursued through public-private partnerships (PPP) approach.

The LGUs and HEIs concerned shall be supported in the development and review of the LCCAPs, as priority impacts under this Act are those attributed to holistic and inclusive mobilization of resources and opportunities of the LGUs, with concomitant connection to building resilience for sustainable development up to the smallest units of governance.

SECTION 15. *Establishment of a LCCAP Quality Assessment Review System (QAR).* - The CCC together with the DILG shall formulate and institutionalize the-LCCAP QAR and establish a means of implementation and institutionalization for both agencies.

The LCCAP QAR process would provide an opportunity to provide a feedback mechanism to LGUs to improve on their LCCAP ensuring its responsiveness to local hazards and risks, and be able to shift towards resilience, and socio-economic transformation through low carbon and sustainable pathways.

The CCC together with DILG, shall formulate and disseminate a mechanism or instrument of quality assurance, after due consultation with relevant stakeholders. Further, the CCC and DILG shall identify relevant NGAs, SUCs and HEIs, and other stakeholders, which shall conduct and implement the quality assurance mechanism that may be established.

ARTICLE 5

Climate Change Expenditure Tagging (CCET)

SECTION 16. *Institutionalization of the CCET as an Audit Tool to Track Climate Change Adaptation and Mitigation Projects and Programs.* - The CCET jointly administered by the CCC and the DBM pursuant to Joint Memorandum Circular 2015-01 at the national level, and with the DILG pursuant to Joint Memorandum Circular 2015-01 at the local level, is hereby institutionalized. All annual expenditure programs of the

government related to low carbon development, including those designed to increase climate and disaster resilience, shall be tagged and reported to determine the allocative efficiency of domestic funds towards those ends. A mechanism for reporting allocation and expenditure shall be issued jointly by the CCC, DBM, the DILG, Office of Civil Defense (OCD), and other relevant agencies. The Commission on Audit (COA), subject to audit rules and regulations, shall produce timely reports on findings of climate expenditure audit.

Such allocation and expenses tagged shall be part of the assessment for the country's low carbon needs that are aligned to the NDC. Any funding gaps should be addressed using the climate finance mechanisms under the Paris Agreement, as may be pursued bilaterally or multilaterally, in coordination with the CCC, DFA, DOF, NEDA, DBM and other agencies concerned.

The progress of the CCET, both at the national and local levels, shall be reported to the Office of the President, the Senate and the House of Representatives by the CCC in accordance with the reportorial requirement under RA 9729, as amended.

The continuing capacity building for CCET shall be pursued through convergent approaches of all the stakeholders, especially of the non-government stakeholders, to contribute to identifying critical climate programs and projects that need to be funded, including monitoring and evaluating institutional and support mechanisms under the CCET.

ARTICLE 6

National Integrated Climate Change Database and Information Exchange System (NICCDIES)

SECTION 17. *Institutionalization of the NICCDIES as a Primary platform on Climate Change Information.* - Notwithstanding existing and related mandates of other agencies, the CCC shall issue guidelines to accelerate its utilization, including engaging agencies, academia, and the private sector to populate the data sets therein, and instituting a feedback mechanism to enhance content, access, and continuous improvement to support long-term, national driven, people and planet-centric climate governance in the country.

ARTICLE 7

Cap and Trade System

SECTION 18. *Emission Reduction Measures/Targets.* - Emission avoidance/reduction measures shall be geared towards equitable implementation of just transition using nationally-appropriate carbon market and non-market approaches. This shall be adopted upon the recommendation of the NDC Steering Committee, after careful study and consultation, to achieve maximum technologically-feasible and cost-effective avoidance/reduction strategies, programs, and projects to meet the carbon goal considered in this Act, with direct impact to low carbon industrial productivity and sustainable development.

Annual emission avoidance/reduction targets, including the sector/s and levels to be covered¹⁰, shall be set for each calendar year by the President, through the recommendation of the NDC Steering Committee, with supporting investment and social

¹⁰ (i.e. power only, or power and selected industries; facility- or company-specific)

safeguards roadmap, and upon consultation through multi-stakeholder, whole of government, and whole of society approaches.

SECTION 19. *Cap on Greenhouse Gas Emissions.* - To achieve the emission targets set pursuant to this Act, a cap shall be imposed on the GHG of the covered sector with the -

- a. Highest GHG; and
- b. Most cost-effective opportunities to avoid/reduce emissions, to include considerations for externalities and social protection;

SECTION 20. *Allowances.* - The DENR, upon the recommendation of the NDC Steering Committee and further upon appropriate consultation, shall issue annually a quantity of GHG emissions allowances equivalent to the emissions allowed under the cap imposed for such year. Each allowance shall authorize the emission of one metric of carbon dioxide, or in the case of global warming pollutants other than carbon dioxide, a carbon dioxide equivalent.

SECTION 21. *Distribution of Allowances.* - The allowance shall be distributed by the DENR to the covered sector by allocation.

SECTION 22. *Carbon Trading System.* - There shall be an established and interoperable central registry, trading and reporting system under the DENR¹¹, which allowances issued under this Act may be sold, exchanged, purchased, or traded by any person or entity, subject to policy guidelines to be issued upon due consultation.

Notwithstanding the foregoing, non-market approaches consistent with just transition strategies needed to accelerate the attainment of low carbon economy, shall be pursued, subject to further review and consultation process, along with the mechanisms concerning carbon market activities in this Act.

ARTICLE 10

Transparency and Reporting

SECTION 23. *Submission of National Reports to the UNFCCC.* - The Philippines, as a Non-Annex I Party to the UNFCCC, shall submit national reports mandated under the Convention and its Paris Agreement, especially the National Communications and Biennial Transparency Reports, in accordance with capacities and provision of timely and appropriate means of implementation. These reports shall incorporate those outputs and reports mentioned in the previous sections, as appropriate.

SECTION 24. *Role of the CCC.* - The CCC shall develop systems for transparency and reporting, including measurement, reporting, and verification, and enhance existing institutional arrangements to ensure continued and timely preparation of national reports, in coordination with relevant government agencies, observing whole-of-society and participatory processes.

¹¹ Based from the Recommendations for Institutional Arrangements under the Assessment Report of the Accelerating Climate Investment in the Philippines (ACIP) Project Pillar 3: Readiness for Carbon Pricing; rationale for DENR is because of the following:

- DENR-EMB regulates emissions from power plants and industrial facilities under the Clean Air Act;
- Their expertise (particularly Climate Change Division of DENR-EMB) relating to emissions offsetting, having acted as the Designated National Authority (DNA) for the Clean Development Mechanism (CDM) and point of contact on activities concerning Japan's bilateral Joint Crediting Mechanism (JCM).

SECTION 25. *Means of Implementation for Transparency and Reporting.* - The necessary means of implementation for transparency and reporting, especially provisions for hardware, software, and human resource requirements, shall be accessed and provided in accordance with resources made available to Parties to the UNFCCC and reasonable domestic resources.

ARTICLE 11

The Role of LGUs, DepEd, HEIs and SUCs in the implementation of this Act

SECTION 26. *Devolution of Role to LGUs.* - Pursuant to Executive Order No. 138 otherwise known as the Mandanas-Garcia Ruling which fully transfers the delivery of basic services to LGUs, LGUs should integrate climate change adaptation and mitigation measures in their local plans and programs.

SECTION 27. *Role of DepEd, HEIs, and SUCs.* - Pursuant to RA 9729, the DepEd shall integrate climate change into the primary and secondary education curricula and/or subjects, such as but not limited to, science, biology, sibika, history, including textbooks, primers, and other educational materials, basic climate change principles and concepts.

HEIs and SUCs should integrate climate change as part of the curricula for all college courses in order to provide tertiary level students with sufficient grounding on said subject.

ARTICLE 12

The Role of the Private Sector and Non-Government Stakeholders

SECTION 28. *Role of the Private Sector and Non-Government Stakeholders.* - To ensure inclusive and consultative nature of the processes and systems towards low carbon economy, just transition, multi-stakeholder, whole of government and whole of society approaches to build consensus on nationally-appropriate just transition arrangements shall be considered.

In this regard, representatives of critical industries, groups of innovators, academics, civil society, people's organizations, financial institutions and intermediaries, and other related entities shall be enjoined to participate in the deliberations and decision-making activities under this Act, subject to appropriate guidelines to be formulated by the NDC Steering Committee, through the endorsement of the CCC.

ARTICLE 13

Polluters-Pays Principle for GHG Emissions

SECTION 29. *Enforcement.* - The DENR, in coordination with the agencies concerned, shall formulate immediately upon approval of this Act a system of enforcement and indemnification or appropriate sanctions consistent with the "polluters pay principle". The DENR shall establish the method of determining such market price, in coordination with the CCC, DOF, DTI/BOI, and NEDA.

SECTION 30. *Monitoring.* - The DENR shall ensure that greenhouse gas emissions and the use of allowances issued under this Act are accurately tracked, reported, and verified, aligned with Article 10 of this Act, to ensure that the cap-and-trade system established under this Act is fully implemented.

SECTION 31. *Penalties.* - For each quantity of excess GHG emissions constituting carbon dioxide or one carbon dioxide equivalent, the amount of civil penalty shall be twice the market price for an allowance at the end of the calendar year in which the excess emissions occurred. The DENR shall establish the method of determining such market price.

SECTION 32. *Climate Reinvestment Fund.* - There is an established fund to be known as the Climate Reinvestment Fund, hereafter referred to as the CRF. The CRF shall consist of the amount of civil penalties assessed under Section 34 of this Act. It shall be administered by the DENR to be used exclusively for activities addressing global warming, subject to the recommendation of the NDC Steering Committee to ensure alignment with the policies and measures of the NDC.

ARTICLE 14

Miscellaneous Provisions

SECTION 33. *Appropriations.* - The amount necessary for the initial implementation of this Act shall be taken from existing allocations of the agencies concerned. Thereafter, such sums as shall be necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SECTION 34. *Implementing Rules and Regulations.* - The CCC, in coordination with the NDC Steering Committee agencies, shall draft and issue implementing rules and regulations necessary, in coordination with other relevant and appropriate government agencies within sixty (60) days after its approval.

SECTION 35. *Separability Clause.* - If for any reason any section or provision of this Act is declared by the Court as unconstitutional or invalid, the other sections or provisions thereof shall not be affected thereby.

SECTION 36. *Repealing Clause.* - All laws, ordinances, rules, and regulations, and other issuances or parts thereof, which are inconsistent with this Act, are hereby repealed or modified accordingly.

SECTION 37. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,