

Philippines: Energy Transition and Climate Resilience Climate Focused Policy Based Financing

Environmental and Social Matrix

Prior Actions	Significant positive or negative environment effects	Significant poverty, social or distributional effects
Reform Area 1: Scaling up adoption of clean energy technologies		
<p>Prior Action 1. To implement with the Renewable Portfolio Standards (RPS), the Borrower has: (i) declared the full commercial operations of the RE Market (REM); and (ii) mandated the Independent Electricity Market Operator of the Philippines (“IEMOP”) to assume the RE registrar functions to, inter alia, issue, keep, and validate RE certificates (RECs) from eligible RE (RE) facilities.</p>	<p>Positive effects. Reducing reliance on coal-fired power and ultimately decreasing GHG emissions over time.</p>	<p>Positive effects. PAs 1 and 2 support increases in supply of RE leading to an expected decrease in energy prices and slower increase in emissions compared to a business-as-usual scenario.</p> <p>Negative effects. Short-term loss of livelihood or employment during transition for workers/MSME owners.</p> <p>Expected outcomes: Positive. Positive distributional impact through marginal reductions in cost of living and reductions in adverse health outcomes.</p>
<p>Prior Action 2. To support the efficient development of offshore wind (“OSW”) and enable private investment, the Borrower, through the DOE has approved the auction design for the Green Energy Auction – 5 (“GEA-5”) dedicated to OSW</p>	<p>Positive effects. Reducing reliance on coal-fired power and ultimately decreasing GHG emissions over time. Negative effects. The construction of OSW infrastructure could lead to significant E&S impacts such as habitat conversion, degradation, and environmental pollution. The Department of Environment and Natural Resources (DENR) has issued applicable standards and departmental orders governing OSW investments to effectively manage the anticipated E&S impacts. The DOE, in the Auction Design, will be integrating the OSW regulations passed by the DENR.</p>	
<p>Prior Action 3: To support electric vehicle (“EV”) adoption and the development of a</p>	<p>Positive effects. The increased adoption of EVs may pose environmental risks such as generation</p>	<p>Positive Effects. PAs 3 and 4 support the reduction of emissions. Air pollution is particularly high in</p>

<p>nationwide charging network, the Borrower, through the DOE has issued a Department Circular requiring all distribution utilities to integrate EV charging demand in their development plans and establish time-bound processes, cost sharing arrangements, and power supply sourcing options for the installation of EV charging stations, as evidenced by DOE Department Circular No. DC2025-08-0012 dated August 12 2025.</p>	<p>of toxic and hazardous waste. The technical guidelines will guide the various segments of the EV industry, including the construction of charging stations, battery recycling technologies, and the regulation of EV battery repurposing to decrease the over-reliance on fossil fuels for vehicles.</p> <p>Negative effects. The adoption of EVs may pose significant adverse E&S risks such as toxic and hazardous waste from the disposal of batteries and other electronic wastes. The technical guidelines for the EV industry, including the construction of charging stations, battery recycling technologies, and the regulation of EV battery repurposing are being rolled out to satisfactorily address any significant E&S impacts.</p>	<p>urban centers, associated especially with vehicle emissions but is also related to coal-based power production, manufacturing, and construction.¹ High levels of exposure are associated with pulmonary illness, as shown in the case of traffic enforcers in Manila. Poorer individuals are less able to avoid these risks in low-cost transportation and living options. These PAs are not expected to imply increases in local taxes or consumer costs.²</p> <p>Negative effects. Short-term, temporary loss of livelihood or employment during transition for workers/MSME owners.</p> <p>Expected outcomes: positive distributional impact through reduction in adverse health outcomes.</p>
<p>Prior Action 4: To strengthen implementation of the Government Energy Management Program (“GEMP”) and Administrative Order No. 15 at the local level, Department of the Interior and Local Government (“DILG”), has issued a directive requiring all Local Government Units (“LGUs”) to designate Local Energy Efficiency and Conservation Officers (LEECOs), prepare and implement Local Energy Efficiency and Conservation Plans (LEECPs), adopt national energy efficiency standards in public facilities, and report electricity and fuel consumption through the GEMP Online Platform</p>	<p>Positive effects. The capacities of the local government units to institute and operationalize energy efficiency and conservation plans at the local level will greatly improve efficiency gains in electricity and fuel consumption which will result in the reduction of GHGs.</p>	

Reform Area 2. Increasing the security, flexibility, and competition of electricity markets

<p>Prior Action 5. To enhance the design and operation of the Reserve Market, the Borrower, through the Energy Regulatory Commission (“ERC”), has promulgated the interim offer price cap and price floor as mitigating measures for trading of reserves prices in the Wholesale Electricity Spot Market (WESM).</p>	<p>Positive effects. Indirectly helps lessen the dependence on fossil fuel and other traditional sources of energy that are not environmentally friendly.</p>	<p>Positive effects. Expected to support reliability and quality of electricity service. Long-term benefits to women with reduction in unpaid care burdens. Not expected to increase customer prices.</p> <p>Negative effects. Short-term, temporary loss of livelihood or employment during transition for workers/MSME owners.</p>
<p>Prior Action 6. To facilitate the efficient management legacy liabilities in the electricity sector and lower electricity costs, the Borrower has amended the Electric Power Industry Reform Act (EPIRA) 2001 to: (i) extend the corporate life of the Power Sector Assets and Liabilities Management Corporation (“PSALM”) and (ii) prohibit the collection of stranded costs and stranded debts from consumers.</p>	<p>Positive effects. Indirectly helps lessen the dependence on fossil fuel and other traditional sources of energy that are not environmentally friendly. Potential negative impacts on the environment come from the production, distribution, and disposal of RE facilities. They can be minimized through the adoption of the country’s EIA and EPP processes.</p>	
<p>Prior Action 7. To implement the improved framework for competitive procurement of RE, the Borrower, through ERC, has adopted the price determination methodology for non-feed-in-tariff eligible RE technologies in the Green Energy Auction Program.</p>	<p>Positive effects. Indirectly helps lessen the dependence on fossil fuel and other traditional sources of energy that are not environmentally friendly. Potential negative impacts on the environment come from the production, distribution, and disposal of RE facilities. They can be minimized through the adoption of the country’s EIA and EPP processes.</p>	<p>Positive effects. Expected to support reliability and quality of electricity service. Long-term benefits to women with reduction in unpaid care burdens. Not expected to increase customer prices.</p> <p>Negative effects. Short-term, temporary loss of livelihood or employment during transition for workers/MSME owners.</p>
<h2 style="text-align: center;">Reform Area 3. Improving water management across water uses</h2>		
<p>Prior Action 8. To promote creditworthiness and climate-resilient services of LGU-run water service providers (WSPs), the Department of</p>	<p>Positive effects at the local level on potable water, sanitation, overall human health, and climate resilience.</p>	<p>Positive effects. Expected to increase climate-resilient improved water services, including flood and drought management. This is expected to help</p>

<p>the Interior and Local Government (DILG) and the Department of Finance (DOF) have required LGUs to adopt the service level and tariff setting guidelines of the National Water Resources Board (“NWRB”) and prioritize climate-resilient infrastructure to receive support from the national government.</p>		<p>reduce waterborne illnesses, a key factor affecting human capital accumulation and employment productivity, and household and agricultural losses related to natural hazards. Benefits to women and children for reduced time and energy in fetching water. Bridging gender gaps through the promotion of women in leadership positions in WSS associations/groups.</p>
<p>Prior Action 9: . To improve transparency and efficiency in using public funds according to the prioritization criteria, Infrastructure Committee of the Economy and Development Council (“InfraCom”) Board, has approved the rules and procedures for the implementation of the Unified Resource Allocation Framework for Water Supply and Sanitation (“URAF-WSS”).</p>	<p>Positive effects on human health, water supply, sanitation, environment, and natural assets and enhances the climate resilience of the local communities.</p>	
<p>Prior Action 10: To promote optimal and sustainable use of water resources and ensure affordable and fair pricing of bulk water, National Water Resources Board (NWRB), has issued a resolution on the regulation of bulk water supply</p>	<p>Positive effects on water affordability and water resource management</p>	