

P001101 Philippines: Energy Transition and Climate Resilience
Climate Policy-Based Financing
Environmental and Social Matrix

Prior Actions	Significant environment effects	Significant social, poverty, and distributional effects
Reform Area 1: Scaling up adoption of clean energy technologies		
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 (IEMOP) to assume the RE registrar functions to, inter alia, issue, keep, and validate RE certificates (RECs) from eligible RE facilities.	Positive effects. Reducing reliance on coal-fired power and ultimately decreasing GHG emissions over time.	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. Negative effects. Short-term loss of livelihood or employment during transition for workers/ Micro, Small, and Medium Enterprises (MSME) owners. Expected outcomes: Positive. Positive distributional impact through marginal reductions in cost of living and reductions in adverse health outcomes. The country system has put in place the necessary management measures to address transition issues.
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	Positive effects. Reducing reliance on coal-fired power and ultimately decreasing GHG emissions over time. However, the construction of OSW energy infrastructure could lead to habitat conversion, degradation, and environmental pollution. Negative effects. Potential adverse impacts that may arise include construction impacts, habitat loss and biodiversity impacts, and	

	marine ecosystem alterations. Expected outcomes. Anticipated adverse impacts that may arise can be adequately addressed by the relevant national policy and legal frameworks and the institutions which are responsible for environmental management and protection are competent and equipped to ensure statutory compliance and are posed to manage environmental issues, under strict compliance that residual impacts are below threshold levels.	
Prior Action 3: To support electric vehicle (EV) adoption and the development of a nationwide charging network, the Borrower, through the DOE has issued a Department Circular requiring all DU 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.	Positive effects. The increased adoption of EVs may reduce reliance on fossil fuel and ultimately decrease GHG emissions over time. Negative effects. The charging stations may pose environmental concerns including the management of toxic, hazardous waste from the industry. Presently, there is a noticeable gap in technical guidelines across various segments of the EV industry, including the construction of charging stations, battery recycling technologies, and the regulation of EV battery repurposing.	Positive Effects. PAs 3 and 4 support the reduction of emissions. Air pollution is particularly high in urban centers, associated especially with vehicle emissions but is also related to coal-based power production, manufacturing, and construction. Poorer individuals are less able to avoid the risks of pulmonary-related illnesses in low-cost transportation and living options. These PAs are not expected to imply increases in local taxes or consumer costs. Negative effects. Short-term, temporary loss of livelihood or employment during transition for workers/MSME owners. Expected outcomes: positive distributional impact through reduction in adverse health

	Expected outcomes. The relevant national policy and legal frameworks and the institutions which are responsible for environmental management and protection are competent and equipped to ensure statutory compliance and are poised to manage environmental issues, under strict compliance that residual impacts are below threshold levels.	outcomes. The country system has put in place the necessary management measures to address transition issues.
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 (LEECOs), adopt national energy efficiency standards in public facilities, and report electricity and fuel consumption through the GEMP Online Platform	Positive effects. Improved overall environment conditions through enhanced energy efficiency, resulting in reduced GHG emissions over time.	

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

Prior Action 5. To enhance the design and operation of the Reserve Market, the Borrower, through the Energy Regulatory Commission (ERC), has	Positive effects. Indirectly helps lessen the dependence on fossil fuel and other traditional sources	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
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promulgated the interim offer price cap and price floor as mitigating measures for trading of reserves prices in the Wholesale Electricity Spot Market (WESM).	of energy that are not environmentally friendly.	increase customer prices.
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.	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.	
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.	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.	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. Negative effects. Short-term, temporary loss of livelihood or employment during transition for workers/MSME owners. The country system has put in place the necessary management measures to address transition issues.
Reform Area 3. Improving water management across water uses		
Prior Action 8. To promote creditworthiness and climate-resilient services of LGU-run water service	Positive effects. This policy action will strengthen the institutional capacity of the water agencies and relevant	Positive effects. Expected to increase climate-resilient improved water services, including flood and drought

providers (WSPs), the Department of 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.	government agencies at the national and local levels to plan and manage in an environmentally sustainable manner to address the needs of the water users for potable water, sanitation, and improve overall human health, and climate resilience.	management. This is expected to help 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 and through targeted affordability measures for female-headed and low-income households.
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).	Positive effects. Improve institutional capacity to plan and manage investments on human health, water supply, sanitation, environment, and natural assets and enhances the climate resilience of the local communities.	
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	Positive effects. To improve statutory requirements promoting water affordability and resource management.	