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(In substitution of SB Nos. 1587, 1677, 1907, 2007, 2083, 2159, 2178, 2179, and 2185
taking into consideration HB No. 4629.)

Prepared by the Committees on Energy, Agriculture and Food *and* Finance, with
Senators Santiago, Pimentel Jr., Cayetano, Recto, Roxas, Gordon, and Angara,
as authors thereof.

**AN ACT
TO MANDATE THE USE OF BIOFUELS IN THE TRANSPORT SECTOR,
ESTABLISHING FOR THIS PURPOSE THE PHILIPPINE 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:*

1 SECTION 1. **Short Title.** – This Act shall be known as the “Biofuels Act of
2 2006.”

3 SECTION 2. **Declaration of Policy.** – It is hereby declared the policy of the
4 State to pursue energy independence consistent with the country’s sustainable
5 economic growth that would expand opportunities for livelihood, with due regard to
6 the protection of public health and the environment by mandating the use of biofuels
7 as a measure to:

- 8 a) develop and utilize indigenous renewable energy sources to reduce
9 dependence on imported oil;
10 b) mitigate toxic and greenhouse gas (GHG) emissions; and
11 c) increase rural employment and income.

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

- 14 a) **AFTA** – shall refer to the ASEAN Free Trade Agreement;
15 b) **Alternative Fuel Vehicles** – shall refer to vehicles that use alternative fuels
16 such as biodiesel, bioethanol, natural gas, electricity, hydrogen and
17 automotive LPG, instead of gasoline and diesel;
18 c) **Bioethanol** – shall refer to ethanol (C₂H₅OH) produced from biomass;
19 d) **Biodiesel** – shall refer to Fatty Acid Methyl Ester (FAME) or mono-alkyl
20 esters derived from vegetable oils or animal fats for use in diesel engines,

- 1 with quality specifications in accordance with the Philippine National
2 Standards (PNS);
- 3 e) **Bioethanol Fuel** – shall refer to hydrous or anhydrous bioethanol suitably
4 denatured for use as motor fuel, with quality specifications in accordance
5 with the Philippine National Standards (PNS);
- 6 f) **Biofuel** – shall refer to bioethanol and biodiesel and other fuels made from
7 biomass and primarily used for motive, thermal and power generation, with
8 quality specifications in accordance with the PNS;
- 9 g) **Biomass** – shall refer to any organic matter, particularly cellulosic or ligno-
10 cellulosic matter, which is available on a renewable or recurring basis,
11 including trees, crops and associated residues, plant fiber, poultry litter and
12 other animal wastes, industrial wastes, and the biodegradable component of
13 municipal solid waste;
- 14 h) **DA** – shall refer to the Department of Agriculture created under Executive
15 Order No. 116, as amended;
- 16 i) **DOE** – shall refer to the Department of Energy created under Republic Act
17 No. 7638, as amended;
- 18 j) **DENR** – shall refer to the Department of Environment and Natural
19 Resources created under Executive Order No. 192, as amended;
- 20 k) **Diesel** – shall refer to refined petroleum distillate, which may contain small
21 amount of hydrocarbon or non-hydrocarbon additives to improve ignition
22 quality or other characteristics, suitable for compression ignition engine
23 and other suitable types of engine with quality specifications in accordance
24 with the PNS;
- 25 l) **DOF** – shall refer to the Department of Finance created under
26 Administrative Order Nos. 127 and 127-A;
- 27 m) **DOST** – shall refer to the Department of Science and Technology created
28 under Republic Act No. 2067;
- 29 n) **DOTC** – shall refer to the Department of Transportation and
30 Communication created under Executive Order No. 125-A, as amended;
- 31 o) **DTI** – shall refer to the Department of Trade and Industry created under
32 Executive Order No. 133;
- 33 p) **Feedstock** – shall refer to organic sources or biomass used in the
34 production of biofuels;
- 35 q) **Gasoline** – shall refer to volatile mixture of liquid hydrocarbon, generally
36 containing small amount of additives, suitable for use as a fuel in spark-
37 ignition internal combustion engine with quality specifications in
38 accordance with the PNS;

- 1 r) *Motor fuel* – shall refer to all volatile and inflammable liquids and gas
2 produced, blended or compounded for the purpose of, or which are suitable
3 or practicable for, operating motor vehicles;
- 4 s) *PBB* or *Board* – shall refer to the Philippine Biofuel Board created under
5 Section 7 of this Act;
- 6 t) *Renewable Energy Sources* – shall refer to energy sources that do not have
7 an upper limit on the total quantity to be used. Such resources are
8 renewable on a regular basis, and whose renewal rate is relatively rapid to
9 consider availability over an indefinite period of time;
- 10 u) *Transport Sector* – as used in this Act, shall refer to transport system; and,
11 v) *WTO* – shall refer to the World Trade Organization.

12 SECTION 4. *Mandatory Use of Biofuels.* Pursuant to the above policy, it is
13 hereby enacted that all liquid fuels for motors and engines sold in the Philippines shall
14 contain locally-sourced components as follows:

15 4.1 Within two (2) years from the effectivity of this Act, a minimum of five
16 percent (5%) bioethanol fuel by volume shall be blended into all gasoline fuel
17 distributed and sold in the country provided that the ethanol blends conforms
18 to PNS on fuel ethanol. The Philippine Biofuel Board (PBB) created under
19 this Act is empowered to determine the feasibility and thereafter mandate a
20 total of ten percent (10%) blend of bioethanol by volume within four (4) years
21 from effectivity of this Act.

22 4.2 Immediately upon effectivity of the IRR of this Act, a minimum of one
23 percent (1%) biodiesel by volume shall be blended into all diesel engine fuels
24 sold in the country, provided the biodiesel blend conforms to PNS for
25 biodiesel. The Philippine Biofuel Board (PBB) created under this Act is
26 empowered to determine the feasibility and thereafter mandate a total of two
27 percent (2%) blend of biodiesel by volume within two (2) years from
28 effectivity of this Act.

29 4.3 The Philippine Biofuel Board shall periodically review and assess the
30 economic, technical, environmental and social impact of the use of bioethanol
31 fuel and biodiesel as well as the availability and security of supply and shall
32 determine the appropriate minimum blend, subject to the provision in Section
33 8(c) of this Act.

34 SECTION 5. *Incentive Scheme.* – To encourage investments in the
35 production, distribution and use of locally-produced biofuels at and above the
36 minimum mandated blends, the following incentive scheme is hereby provided:

- 37 a) Specific Tax

38 The specific tax on biofuels, per liter of volume capacity, shall be zero (0).

1 b) *Duties on Plant Investments*

2 Entities that are accredited by the DOE in accordance with this Act, within
3 five (5) years from the effectivity hereof, shall be allowed to import exempt
4 from duties such machinery and equipment actually, directly and
5 exclusively for use in the production of biofuels for a period of five (5)
6 years from the date of DOE accreditation. Provided, however, that the
7 imported machinery and equipment are *not manufactured domestically* in
8 sufficient quantity, of comparable quality, and at competitive prices.

9 c) *Board of Investments (BOI) Incentives*

10 Subject to the rules and regulations of the BOI, all investments in the
11 production, blending, and distribution of biofuels and adoption of biofuel-
12 compliant vehicle technologies shall enjoy the applicable fiscal and non-
13 fiscal incentives as may be provided for under the Omnibus Investment
14 Code, as amended;

15 d) *Water Effluents*

16 All water effluents such as but not limited to distillery slops from the
17 production of biofuels used as liquid fertilizer and for other agricultural
18 purposes are considered reuse, and are therefore, not covered under Section
19 13 of Republic Act No. 9275, also known as the Philippine Clean Water
20 Act; Provided, however, that such application shall be in accordance with
21 the guidelines issued pursuant to R.A. No. 9275, subject to the monitoring
22 and evaluation by DENR and approved by DA.

23 e) *Financial Assistance*

24 Government financial institutions, such as the Development Bank of the
25 Philippines, Land Bank of the Philippines, Quedancor and such other
26 government institutions providing financial services, shall in accordance
27 with and to the extent allowed by the enabling provisions of their
28 respective charters or applicable laws, accord high priority to extend
29 financing to entities that shall engage in activities involving production,
30 storage, handling and transport of biofuel and biofuel feedstock, including
31 the blending of biofuels with petroleum, as certified by the DOE.

32 **SECTION 6. *Powers and Functions of the Department of Energy.*** - In
33 addition to its existing powers and functions, the Department of Energy is hereby
34 mandated to take appropriate and necessary actions to implement the Philippine
35 Biofuel Program. In pursuance thereof, the Department shall:

- 36 a) Formulate within six (6) months from the effectivity of this Act the
37 Implementing Rules and Regulations under Section 14 of this Act;

- 1 b) Within six (6) months from the effectivity of this Act, prepare the
2 Philippine Biofuel Program consistent with the Philippine Energy Plan and
3 taking into consideration the DOE's existing biofuels program;
- 4 c) Within six (6) months from the effectivity of this Act:
5 (1) Establish standards for biofuels and biofuel-blended gasoline and
6 diesel; and,
7 (2) Establish guidelines for the transport, storage and handling of biofuels;
- 8 d) Impose fines and penalties against persons or entities found to have
9 committed any of the prohibited acts under Section 11 (b) to (d) of this
10 Act;
- 11 e) Stop the sale of biofuels and biofuel-blended gasoline and diesel that is
12 not in conformity with the specifications provided for under Section 4 of
13 this Act, the PNS and corresponding issuances of the Department; and,
14 f) Conduct an information campaign to promote the use of biofuels.

15 **SECTION 7. *Creation of the Philippine Biofuel Board.*** – The Philippine
16 Biofuel Board is hereby created. It shall be composed of the Secretary of the
17 Department of Energy or his designated Undersecretary as Chairman and the
18 Secretaries or the designated undersecretaries or assistant secretaries of the
19 Department of Trade and Industry (DTI), Department of Science and Technology
20 (DOST), Department of Agriculture and Food (DAF), Department of Transportation
21 and Communications (DOTC), Department of Finance (DOF – Bureau of Internal
22 Revenue, Bureau of Customs and Tariff Commission) and the Department of
23 Environment and Natural Resources (DENR); one (1) representative each from the
24 biofuel industry, the petroleum industry and the automotive industry duly endorsed by
25 their respective industry associations and appointed by the President of the Republic
26 of the Philippines.

27 The DOE Secretary or his designated Undersecretary, in his capacity as
28 Chairperson, shall, within one (1) month from the effectivity of this Act, convene the
29 PBB.

30 The Board shall be assisted by a Technical Secretariat attached to the Office of
31 the Secretary or the Office of the Undersecretary of the DOE as the case maybe. It
32 shall be headed by a Director to be appointed by the Board. The number of staff of the
33 Technical Secretariat and the corresponding positions shall be determined by the
34 Board, subject to approval by the Department of Budget and Management (DBM) and
35 existing civil service rules and regulations.

36 **SECTION 8. *Powers and Functions of the PBB.*** – The Philippine Biofuel
37 Board shall have the following powers and functions:

- 1 a) Review, monitor the implementation of, and evaluate for further expansion,
2 the Philippine Biofuel Program prepared by the DOE pursuant to Section 6
3 (b) of this Act;
- 4 b) Monitor the supply and utilization of biofuels and biofuel blends and
5 recommend appropriate measures in cases of shortage of feedstock supply
6 for approval of the Secretary of DOE;
- 7 c) Review and adjust the minimum mandated biofuel blends as it deems
8 appropriate, subject to publication; provided that the minimum blend shall
9 not be lowered within seven (7) years from the effectivity or full
10 implementation of the mandated minimum blend as provided for in Section
11 4 of this Act;
- 12 d) Recommend a program that will ensure the availability of alternative fuel
13 technology for vehicles, engines and parts in consonance with the
14 mandated minimum biofuel blends, and to maximize the utilization of
15 biofuels, for the adoption and implementation of appropriate government
16 agencies;
- 17 e) Recommend specific actions to be executed by the DOE and other
18 appropriate agencies of government concerning the implementation of the
19 Philippine Biofuel Program.

20 **SECTION 9. *Role of Government Agencies.*** – To ensure the effective
21 implementation of the Philippine Biofuel Program, concerned agencies shall perform
22 the following functions:

- 23 a) The Department of Finance shall:
- 24 (1) In coordination with the Tariff Commission, create and classify a tariff
25 line for biofuels and biofuel blends in consideration of WTO and
26 AFTA agreements.
- 27 (2) Monitor the production and importation of biofuels through the Bureau
28 of Internal Revenue and the Bureau of Customs.
- 29 (3) Through the Bureau of Internal Revenue and Bureau of Customs,
30 impose fines and penalties on any person or juridical entity committing
31 the prohibited act under Section 11(a) of this Act.
- 32 b) The Department of Science and Technology (DOST) and the Department
33 of Agriculture (DA) shall coordinate in identifying and developing viable
34 feedstock for the production of biofuels.
- 35 b) The DOST through the Philippine Council for Industry and Energy
36 Research and Development (PCIERD) shall develop and implement a
37 research and development program supporting a sustainable improvement

1 in biofuel production and utilization technology. It shall also publish and
2 promote related technologies developed locally and abroad.

3 c) The DA through its relevant agencies shall:

4 (1) Within six (6) months from the effectivity of this Act, develop a
5 national program for the production of crops for use as feedstock
6 supply. For this purpose, the Administrators of the Sugar Regulatory
7 Administration and the Philippine Coconut Authority, and other DA-
8 attached agencies shall, within their authority, develop and implement
9 policies supporting the Philippine Biofuel Program and submit the
10 same to the Secretary of the Department of Agriculture for
11 consideration.

12 (2) Ensure increased productivity and sustainable supply of biofuel
13 feedstocks. It shall institute a program that would guarantee that a
14 sufficient and reliable supply of feedstocks is allocated for biofuel
15 production.

16 (3) Publish information on available and suitable areas for cultivation and
17 production of such crops.

18 e) The Department of Trade and Industry shall:

19 (1) Include in its Motor Vehicle Development Program the
20 development and promotion of the manufacture and/or investment
21 in production of alternative fuel vehicles.

22 (2) Within six (6) months from the effectivity of this Act, develop and
23 adopt standards for vehicles and vehicle parts and components for
24 incorporation into and in support of the Philippine Biofuel Program
25 intended to ensure compliance with safety and fuel efficiency
26 requirements as well as emission standards. The DTI, in
27 coordination with the DOE, the DOTC and the DENR shall ensure
28 the strict enforcement of these standards.

29 f) The Local Government Units (LGUs) shall assist the DOE in monitoring the
30 distribution, sale and use of biofuels and biofuel blends.

31 **SECTION 10. Oversight Committee on Biofuels** – It is hereby mandated to
32 create an oversight committee on biofuels headed by the chairpersons of the
33 Committee on Energy of both houses of Congress to monitor and ensure the
34 implementation of the provisions of this Act.

35 **SECTION 11. Prohibited Acts.** – The following acts shall be prohibited:

36 a) Diversion of biofuels, whether locally produced or imported;

37 b) Sale and use of pure gasoline or diesel and / or biofuel-blended gasoline or
38 diesel in violation of the requirement under Section 4 of the Act;

1 c) Non-compliance with the established standards and guidelines of the DOE
2 adopted for the implementation of this Act; and

3 d) Mislabeling, misleading or fallacious labeling of gasoline, diesel, biofuels and
4 biofuel-blended gasoline and diesel.

5 SECTION 12. **Penal Provisions.** – Any person, including but not limited to the
6 chief operating officer, chief executive officer of the partnership, corporation or any
7 entity involved, in violation of any provision of this Act shall suffer the penalty of
8 three (3) months to one (1) year imprisonment and a fine ranging from fifty thousand
9 pesos (P50,000.00) to three hundred thousand pesos (P300,000.00).

10 In addition, the DOE shall confiscate any amount of such products that fail to
11 comply with the requirements of Sections 4 and 5 of this Act, and implementing
12 issuances of the DOE. The DOE shall stop the operation of businesses for refusal to
13 comply with any order or instruction of the DOE Secretary in the exercise of his
14 functions under this Act.

15 SECTION 13. **Appropriations.** – The fund necessary for the initial
16 implementation of this Act shall be charged against the current appropriations of the
17 Department. Thereafter, the fund necessary to carry out the provisions of this Act
18 shall be included in the annual General Appropriations Act.

19 SECTION 14. **Implementing Rules and Regulations.** – The DOE, through the
20 Philippine Biofuel Board, in consultation with the Committees of Energy of the Senate
21 and the House of Representatives, the stakeholders and other agencies concerned, shall
22 within six (6) months from the effectivity of this Act, promulgate the implementing
23 rules and regulations of this Act: *Provided*, That prior to its effectivity, the draft of the
24 implementing rules and regulations shall be posted at the DOE Website for at least one
25 (1) month, and shall be published in at least two (2) newspapers of general circulation.

26 SECTION 15. **Repealing Clause.** – All laws, presidential decrees or issuances,
27 executive orders, presidential proclamations, rules and regulations or parts thereof
28 inconsistent with the provisions of this Act, are hereby repealed, modified or amended
29 accordingly.

30 SECTION 16. **Separability Clause.** – If any provision of this Act is declared
31 unconstitutional, the same shall not affect the validity and effectivity of the other
32 provisions hereof.

33 SECTION 17. **Effectivity.** – This Act shall take effect fifteen (15) days after its
34 publication in at least two (2) newspapers of general circulation.

35 Approved,