

Joint Foreign Chambers of the Philippines



AMERICAN



ANZCHAM

AUSTRALIAN-NEW ZEALAND



CANADIAN



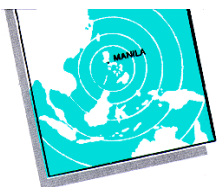
EUROPEAN



JAPANESE



KOREAN



PAMURI

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

June 10, 2011

Mr. Jose Rene D. Almendras
Secretary
Department of Energy
Energy Center, Merritt Road
Fortt Bonifacio, Taguig

Dear Secretary Almendras:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Infrastructure (Power)**.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Declare and implement open access on schedule.
- 2) Ensure that contracts are strictly enforced. Rules and regulations must not change in the middle of project implementation or be reinterpreted retroactively.
- 3) Interconnect the entire grid to enable producers to transport electricity to other parts of the country via the Wholesale Electricity Spot Market.

Completed Recommendations. The Breakout Session identified the following as a completed *Arangkada Philippines* reform recommendation:

- 1) The creation of a Power Development Plan.
- 2) The National Renewable Energy Board should create a roadmap.

Ongoing Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Formulate an integrated energy policy and master plan giving clear direction for sources of energy, locations of power plants, capacity each source generates, transmission of energy supply, policies to attract large investors and lenders and importation of energy. The master plan must take into account the threats and/or challenges of climate change, energy efficiency, and availability of new technology.
- 2) Study the potential of Liquefied Natural Gas (LNG). LNG can be a greener alternative source of energy.
- 3) Strongly encourage industrial, commercial and institutional load customers, distribution utilities, and electric cooperatives to establish their creditworthiness.
- 4) Partners such as ADB, IFC, and JBIC can help finance the longer tenor – the “tail risk” beyond 10-12 years – when international private banks are only comfortable with shorter tenor.

Recommendations Not Under Way. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as not yet under way:

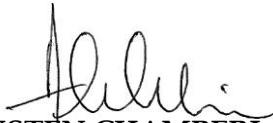
- 1) Remove all foreign equity restrictions for power projects to create a level playing field and attract more foreign energy players to invest.
- 2) The RP should include the development of nuclear power in the national power development plan.
- 3) Award bids from the private sector for the Agus and Pulangi hydro facilities during 2010.
- 4) Credit enhancement to support project financing and power supply agreements of new generating projects with off-take agreements with such parties.
- 5) Develop a power plant on an isolated island such as Semirara.
- 6) Congress should pass a resolution supporting consideration of the development of nuclear energy.
- 7) Congress should pass an Energy Efficiency Act after full consultation with stakeholders. Efforts of distribution utilities to reduce system losses due to theft must be strongly supported.
- 8) Explore the possibility of WESM sales of freely-tradable forward power supply.
- 9) Interconnect the Luzon and Visayas grids via submarine cable with the Mindanao grid.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

But major challenges remain - including unanticipated ones - and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

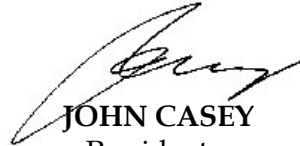
We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



AUSTEN CHAMBERLAIN
President

American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY
President

Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.



JULIAN PAYNE
President

Canadian Chamber of Commerce
of the Philippines, Inc.



HUBERT D'ABOVILLE
President

European Chamber of Commerce
of the Philippines, Inc.



N OBUYA ICHIKI
President

Japanese Chamber of Commerce
& Industry of the Philippines, Inc.



EUN GAP CHANG
President

Korean Chamber of Commerce
of the Philippines, Inc.



SHAMEEM QURASHI
President

Philippine Association of Multinational Companies
Regional Headquarters, Inc.

Cc:

Executive Secretary Paquito N. Ochoa, Jr., Office of the President

Director General Cayetano W. Paderanga, Jr., NEDA

Secretary Alberto A. Lim, DOT

Director General Ramon S. Gutierrez, CAAP

Undersecretary Glicerio V. Sicat, DOTC

Assistant Secretary George D. Esguerra, DOTC

Chair Baltazar N. Endriga, MAP Airport Improvement Committee

General Manager Jose Angel Honrado, NAIA

Executive Director Carmelo L. Arcilla, CAB