

**SUSTAINABLE DEVELOPMENT AND ENERGY:
ENERGY FOR ALL; ALL FOR ENERGY**

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Friends, ladies and gentlemen, good morning. I wish to thank ADB and the USAID, through Mr. Kuroda and the representatives of USAID here for the invitation to be with you this morning. As I was listening to Mr. Kuroda, I realized that I would have to make a shift in my speech in order to be able to address the valuable points that he has raised.

First of all, as far as sustainable development is concerned, I think there are two principles that I capture in our work in energy. And these are in two phrases: Energy for All, All for Energy.

Let me address the first one which he has also emphasized, which is increasing access to energy. The eradication of poverty is a singular concern for developing economies like the Philippines. In my office, there is a map which shows you in darker shade which parts of the Philippines have less access to electricity, and these have a high correlation to those places which have a very high incidence of poverty. Given the high correlation between poverty and lack of access to energy, the anti-poverty dimension of energy programs is at the core of the sustainable development efforts of our government.

But let me underline that while the social dimension is important therefore for our energization efforts, there are realities that we have to deal with. One, the reality of the high upfront cost of renewable energy. Second, the limitations as to site-specificity of many of the renewable sources of energy available to us. Thus in order to be able to tap the geothermal resources of this country, we've had to build expensive transmission lines connecting the different islands of the country to bring the energy supply from the source to the markets. And third, of course, the limitations themselves on the availability of renewable energy. Given the present state of technology, the amount of renewable energy available to the Philippines as a whole would not be adequate to meet the needs of a growing economy.

Going to the economic dimensions therefore of sustainable development and energy, the Philippines is willing to invest in renewable energy projects and cleaner energy projects. Nevertheless we need the fullest assistance in order to be able to move forward significantly on this front. Renewable energy sources right now are costing us 2.5 to 3 times the cost of conventional sources of energy.

Let me mention another dimension however to the challenges for sustainable development in energy. And this I relate to the issue of achieving greater cohesiveness among all stakeholders for energy.

What we have done in the Philippines is to pass the Biofuels Law which we were able to implement initially for biodiesel by requiring a 1% mandated market for the Philippines. We expect in 2008 or two years from the passage of that bill, to mandate at least 5% bioethanol for the local market. And we are working on a renewable energy bill which the President certified in the last Congress, but unfortunately we were unable to pass into law, which would introduce a renewable energy portfolio requiring some 7 to 8% of all sales in power to be sourced from renewable sources. But even with these incentives of a mandated market, I would appeal to you to give more thought on how we can finance the requirements for cleaner and renewable sources of energy.

I am happy to hear from President Kuroda some of the thoughts that they have on these, including contingent loans for renewable energy projects, where the higher returns are not realized to get converted into a grant. But I would also like for the Bank and our development partners to consider that even in the case of highly indebted middle income countries like the Philippines, where the debt overhang is still being felt, that you assist us in order to be able to harness the repayments that we have to make in the future towards renewable energy. In the case of National Power Corporation alone, we have some US\$3 billion that are going to be due in 2008, 2009, and 2010. I would like to see that amount or at least a major part of that amount to be made available to the Philippine government to reinvest in renewable and cleaner sources of energy. I know there are obstacles. I am reminded always that the Philippine debt is now selling at a premium and not at a discount and I cannot ask for a debt for renewable swap. But I know there is enough creativity, there is enough initiative in this room to be able to think of a way of harnessing that enormous debt into financing for renewable energy.

The other challenge that I would like also for us in this room to consider is realizing as I have said that broad alliance for energy. Right now, convincing for example communities, whether they are the host communities themselves or neighboring communities, to accept cleaner coal technologies remains a challenge for us. But the burden of showing or convincing our communities that indeed they can rely both on government and on private sector to be responsible in the implementation of environmental laws and standards is a burden that lies not on the community but upon us. And so here we need to harness the academic and scientific community that will allow us to give enough information to the communities that would give them a higher level of comfort as to the ability of the government and private sector to live up to the highest standards of environmental protection.

This is a major challenge for us, but definitely it is not an impossible task. Let me therefore restate what I have said about the challenges for sustainable development. The challenge for us remains in these two areas to achieve in their fullest sense: energy for all, and to be able to do that, we need all to work for energy.

Thank you very much and a good morning to all.