

Prepared by the New Zealand Embassy in Manila

Summary

- 2021 was a busy year for New Zealand government agencies in Manila on the renewable energy front. They helped New Zealand firms secure new contracts in the Philippines, renewed a bilateral geothermal cooperation agreement, forged new connections for key New Zealand energy interests among leading energy companies in the Philippines, hosted a geothermal symposium jointly with the Philippine geothermal industry, and broke new ground by exploring the potential for trilateral cooperation in geothermal and emerging areas such as hydrogen among New Zealand, Philippine and Japanese businesses. A visit by MFAT's Deputy Secretary for Asia and Americas Group to Manila was also an opportunity to raise New Zealand's profile and highlight its commitment to a transition to a carbon-zero economy and meeting climate change objectives.

Report

The Philippines and New Zealand Energy Relationship – a recap

New Zealand and the Philippines share many geological similarities. We are archipelago islands and are situated on the Pacific rim of fire. We have similar renewable energy attributes, particularly around hydro, wind and geothermal.

New Zealand has been involved in the energy sector of the Philippine since the 1970s. New Zealand development, financial and technical assistance helped to establish two geothermal fields. Many senior managers and engineers in the industry have been trained in New Zealand. This long history of cooperation continues today through private sector linkages.

New Zealand's approach to managing the electricity sector has also heavily influenced the Philippine approach – most notably in the Philippine Electric Power Industry Reform Act of 2001. New Zealand consultants were engaged to advise the Whole Electricity Spot Market (WESM) and the National Grid Corporation of the Philippines (NGCP) on transmission design and pricing matters.

New contracts for New Zealand geothermal players

NZTE facilitated new contracts for several New Zealand energy consultancy companies with major geothermal players in the Philippines.

NZTE is currently supporting opportunities of new market entrants who have seen potential in the market. A number of other New Zealand companies have ongoing projects and opportunities in the pipeline.

Bilateral geothermal cooperation agreement renewed

On 5 November 2021 New Zealand Ambassador Peter Kell and Philippines Secretary of Energy Hon Alfonso Cusi signed in the presence of the New Zealand Trade Commissioner the second amendment to the Philippines-New Zealand Arrangement on Geothermal Cooperation. This Memorandum of Arrangement provides a framework for New Zealand companies engaged in the geothermal sector in the Philippines, and is highly valued by them.

Forging new connections

The New Zealand Embassy in Manila has focused on establishing deep relationships with two leading Philippine renewable energy companies. Both companies are owned by local Philippine family conglomerates, with resources and ambition to be

leading power companies in the ASEAN region.

The post has actively introduced these two companies to a broad range of relevant NZ business interests.

2nd Philippine International Geothermal Conference 2021

Co-organised by New Zealand Trade and Enterprise (NZTE) and the National Geothermal Association of the Philippines (NGAP), this was an opportunity for NZ companies to showcase NZ's leading services and technological innovations in geothermal. It is the biggest geothermal conference in the Philippines attended by over 500 virtual participants from around the world, bringing together key stakeholders, decision makers, and industry experts. Topics include exploration and drilling, resource management, binary systems, acid systems, among others. Ambassador Kell together with Senator Sherwin Gatchalian, Chairman of the Senate Energy Committee, and Mr. Napoleon Saporsantos, the President of Philippine Geothermal Production Company (PGPC), one of the sponsors of the symposium gave keynote addresses. The symposium reinforced the contribution that NZ businesses could play in supporting a transition to a carbon-zero economy. According to NZTE, several NZ businesses are following up commercial opportunities with large Philippine energy companies.

Trilateral cooperation – the way of the future...?

The post brought together renewable energy interests in New Zealand, the Philippines and Japan to explore trilateral joint initiatives in any of the three countries. Two opportunities were identified and pursued – one geothermal and the other hydrogen.

Due to differing business preferences the geothermal opportunity was not able to be realised, but did indicate that trilateral ventures were feasible if the timing and partner were right.

The hydrogen opportunity was exploring the interest among leading Philippine renewable energy players partnering with NZ and Japanese energy interests to build hydrogen power plants for either domestic use (e.g. in either the Philippines or Japan), or export to the Japanese or other nearby markets. This is continuing to be explored.

Japanese and other international interest in Philippine hydrogen potential

There has been a surge in the level of public discourse about and interest in hydrogen production potential in the Philippines. Other international companies have also signalled interest in the Philippines hydrogen potential and signed cooperation agreements with the Ministry of Energy. Last month a private Singaporean/Philippine joint venture was established to develop a 1.1GW power plant in the Philippines using both LNG and green hydrogen to provide electricity to the Philippines national energy grid.

Why the interest? A key reason is that the Malampaya natural gas field, located about 80km off the northwest coast of Palawan Island in the South China Sea and the Philippines' main source of domestic energy, is expected to run dry by the mid-to-late 2020s. The natural gas from this field fuels five power plants, which provide half of the electricity supply for the Philippines' most populous island (Luzon) and the Metro-Manila region. The Philippines needs to develop new sources of energy before the current one is depleted. One underdeveloped indigenous source is geothermal energy. The Philippines has incentivised the private sector to develop the geothermal sector by allowing 100% foreign ownership of large-scale geothermal projects with an initial investment cost of USD 50 million.

In addition the Philippines has set climate change goals. The Department of Energy has also announced a moratorium on greenfield coal projects, incentivising the private sector to develop renewable sources of energy. The ADB is also working with the Philippine Government through its newly established Energy Transition Mechanism to hasten the transition to renewable energy.

The reasons above focus on meeting Philippine domestic energy needs. But the potential for exporting energy in the form of hydrogen to markets such as Japan is an important consideration in the business investment cases for new (particularly large-scale) renewable energy projects.

Senior policy official visit

Deputy Secretary for Asia and America Group's visit to Manila in November was an opportunity to exchange views with senior Philippine government contacts, the chair of the Senate Committee on Renewable Energy and the Chief Executive of the world's largest geothermal company on New Zealand's policy approach to climate change and the transition to a carbon-zero economy, the challenges and opportunities facing New Zealand in this area, and the possibilities for bilateral cooperation.

Taking the pulse in New Zealand...

Ambassador Kell together with the Philippines desk officer made a round of calls in August 2021 and February 2022 on major New Zealand energy companies to understand New Zealand's needs and priorities in transitioning to a carbon zero economy, and the opportunities for international collaboration to support this.

Comment

The leading energy companies in the Philippines are at the forefront of preparing the Philippines for the inevitable transition to a carbon-zero economy. While the Government sets policy and direction, it is private sector capital, drive and ambition paving the way. Engaging with private sector has provided insight into the current state of and prospects for the Philippines transition to a carbon-zero economy.

The other useful insight is that there is a strong alignment of interest among New Zealand, Philippine, and Japanese companies, given our similar geologies, complementary renewable energy strengths and interests, and associated strong business links between each of our countries. While it is still early days, this line of prospecting seems promising.

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