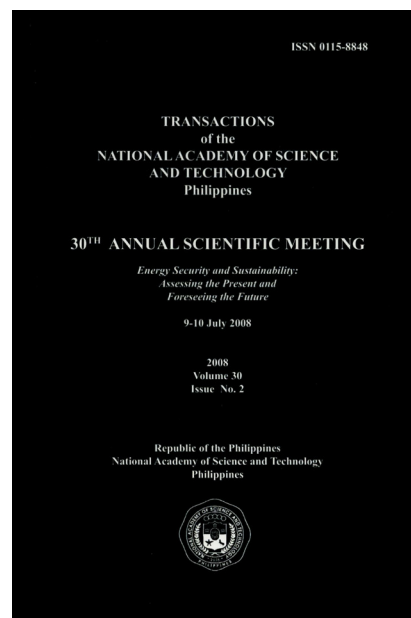


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Reaction to F.L. Viray's Challenges in the Energy Sector: Focusing on Government Policies and Practices on Energy

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Federation of Philippine Industries

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Challenges in the Energy Sector

REACTION TO F.L.VIRAY'S CHALLENGES IN THE ENERGY SECTOR FOCUSING ON GOVERNMENT POLICIES & PRACTICES ON ENERGY

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Chairman of the Board
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Dr. Viray presented a very comprehensive picture of the energy sector with all the complexities arising from the apparent conflicting goals of the 3A's of sustainable energy – namely

AVAILABILITY of modern energy in adequate quantity and acceptable quality on a long-term basis

ACCESSIBILITY to modern energy in terms of price or affordability and sustainability

ACCEPTABILITY of energy sector activities in terms of their environmental and social impacts

But these apparent conflicts should diminish with time, as we sort out and implement the energy directions that we must take to satisfy the 3A's. In fact there are so many candidate interventions suggested in his talk that would occupy an entire weeks' forum. Many of these interventions will bear on the shifts in energy sourcing and use that we must make. These interventions include policies of government, R&D and technology inputs, programs to enlist management and capital, plus our ability as a people to adapt to the every growing changes in the sourcing and use of energy.

Dr. Viray presented his view of how the future of energy will shift from the Traditional Paradigm to an Emerging Paradigm that would bring about satisfaction of these 3A's, Availability, Accessibility, and Acceptability. One can see that the shift from where we are to a more accommodating future, will require coordinated planning, a lot of capital and sound management to go with it, and of course time. This period of transitioning to the new energy paradigm will require the best of our understanding and abilities in order to reach it in the shortest period and with the least pain. It will entail attracting the needed private sector management and capital to get there.

Obviously, renewable energy will be a principal direction to go and we are not strangers to this form having harnessed our dams and geothermal fields to provide electricity. In fact also our government had begun to look into the

future of energy when it enacted laws on biofuels and other forms of renewable energy. It is possible to harmonize our governing policies if these are based and interpreted according to some proven practices that are realities in the developed world where the private sector operates most effectively and efficiently for the public good. These practices are :

1. That prices are dictated by supply and demand in the more deregulated markets.
2. That markets are very good disciplinarians. Look at how more people now ride various forms of public transport, and how the traffic situation has eased considerably – adding to fuel efficiencies for all, and of course, less pollution.
3. That there are many alternative sources of useful energy that can be developed and made to compete
4. That competition is more effective than regulating for the public good and is necessary to encourage private enterprise to undertake needed investment risks in a more uncertain future
5. That long term private capital investments demand a level playing field
6. That the wise conversion of energy resources into useful forms require
 - Consideration of the environment
 - Massive capital
 - Long term planning

Dr. Viray then surmised and I quote: “There is a need for a light handed regulation that can move us faster towards the energy goals we want than what competition and free market forces would have done if left alone on its own. For example, if under the current global development and costs, using market forces alone to determine our energy mix will tend towards a predominantly coal-based energy mix. There could be a need to introduce certain policies and regulations to encourage other sources of energy, both indigenous and imported. Others will claim that regulation introduces price distortions that can favor one resource over another but I guess that’s the challenge to policy makers.” The reason for this is because there are strategic considerations for something as vital as energy and I will discuss the need for this light handed regulation some more

The goals of availability, accessibility and acceptability for sustainable energy have certainly entered the minds of our legislators and government policy makers, and yet they remain unbalanced because of other interventions. This is the reason why some of our energy policies may appear disjointed and must be further harmonized by the DOE; This then requires that when it comes to practice, we require the wise analysis of the DOE and the judgment of a truly independent regulator who will balance these opposing realities in the interest of all stakeholders. I will not discuss specific cases but I must

emphasize that we need the regulatory agency to act in a timely manner and to :

1. Explain clearly and transparently the basis for their decisions thereby educating everyone in the complex world of balancing the 3A's.
2. Explain the need for some legislative and policy reforms. There is nothing wrong in amending policies and laws provided that resulting effect is fair. What is wrong is to apply policies based on very different sets of circumstances that bear no resemblance to the present. Instead, it is important to recognize the need for change when change is needed in the public interest. All countries do these in their public's interest.
3. Provide confidence to those who wish to invest in the energy sector

In closing, let me say that we are fortunate that our past energy leaders in the executive (DOE) and legislative branches had the foresight to take actions towards Sustainable Energy.by:

- Creating the DOE thus recognizing the vital role and size of the Energy Sector as the line agency promoting policies and rules related to energy.
- Shifting our power sector away from petroleum into much lower cost energy sources to a level of only 10%.
- Investing in the light rail metro transits that displace many public vehicles running on petroleum.
- Enacting the Oil Deregulation Law which has denied the need of government to subsidize fuel, and
- Enacting the EPIRA to get the government out of the power sector and making it easier for private capital to take over in a timely manner.

Thank you.