

BIOFUELS – TRANSFORMING LIVES FOR THE BETTER
Remarks as Prepared for Delivery By
HONORABLE ARTHUR C. YAP
Secretary of Agriculture, Philippines

**Delivered at the Washington International Renewable Energy
Conference (WIREC 2008), Washington, D.C., USA
March 5, 2008**

On behalf of the people of the Philippines, our President Gloria Macapagal-Arroyo, and our Delegation Chair, Energy Secretary Angelo Reyes, I am deeply honoured and privileged to be a part of this prestigious international conference to share our country's ongoing efforts at tapping renewable energy, particularly biofuels.

Years ago, it was forecast that world energy consumption will increase by more than 50% in the next twenty (20) years, with the daily demand for global oil, increasing by at least as much. In a developing nation categorized by the United Nations Development Programme (UNDP) as having a high "OPVI" or Oil Price Vulnerability Index, what with 48% of our primary energy supply mix still based on fossil fuels, generating 58% of our power in 2000, our Government had to take action. And act our Government did.

On January 12, 2007, with multi-partisan Congressional support, President Gloria Macapagal-Arroyo, signed into law, Republic Act No. 9367 which directed the use of Biofuels and launched the Philippines' Biofuels Program. Enshrined in the law is the State's policy to "reduce dependence on imported fuels." Henceforth, within two (2) years from the law's effectivity, gasoline distributed, shall be blended with bioethanol to the extent of 5% of its volume with the percentage increased to 10% in four (4) year's time. The law also mandates a 1% biodiesel blend for all diesel engine fuels within three (3) months from the law's effectivity with the blend increasing to 2% in two years time. The Specific Tax on local or imported biofuels "component" was rated at "0" with the sale of raw material used in the production of said fuels exempt from the value-added tax.

The Philippine's Department of Agriculture or DA is very much a part of this effort. The DA has been tasked to develop a national program for the production, increased productivity, identification of suitable lands for cultivation and sustainable supply of crops for use as feedstock. We have only just begun as a Comprehensive Renewable Act is set to be passed into law this year.

As we convene these three days in Washington, debates continue to rage on many issues, related to biofuels. For some time to come, discussions will continue on what crops are best suitable in what locations, the cost of financing projects, science and technology issues, and the other so-called dividends and positive transformations, that biofuels will bring our world. But this much, is settled: biofuels, as a component answer to the challenge of sustainable, clean and renewable energy, has the power, to transform the lives of about three-quarters of the developing world's poor, the rural poor, for the better.

We have seen this transforming impact on the business world through the birth of a totally new high growth industry. In the Philippines, the DA has monitored a total of 16 bioethanol projects being put up. When completed, the rated capacity of these projects, representing half a billion US dollars in investments, is placed at 567 million liters annually. This is onstream to meet the Philippines 2014 requirement of about 537 million liters of bioethanol. On top of that, on this trip to the United States alone, we witnessed a Fil-American Joint Venture signify its intention to expand its operations in two sites, beyond their first in Negros Island, while a company awaits us in the west coast, to inform us when it intends to begin its operations in the Philippines.

For biodiesel, there are enough current accredited Coco Methyl Ester (CME) producers operating in the market, the biggest of which, with an actual production of 70 million liters annually, is publicly listed in the Philippine Stock Exchange. Still, new projects will be needed to meet future CME fuel demands, not only of the Philippines, but foreign markets as well.

Yet, it is biofuels' dividend on increasing rural employment and incomes, which is anticipated most of all. Poverty in the Philippines remains a rural phenomenon. But the economic benefits that energy crops can bring millions of farm workers can be dramatic for rural household families and the Philippine economy in general, since the agriculture sector still accounts for 18% of the GDP and employs more than 35% of the labor force. Even as self-rated poverty has steadily decreased in the last few years due to the President's laser-like focus on putting our economic house in order, expanding feedstock development in the countryside, will definitely sustain this trend.

Already, coconut farmers, numbering more than 2 million Filipinos, have experienced a five fold increase in their farmgate buying price from just six (6) years ago, due to the increased demand for coconut oil supply. On the other hand, corn farmers, enjoying a 10% increase in farmgate prices from 2007, are projected to increase national output in excess of 10% this year. Corn is enjoying such a resurgence, not so much as we are using it for biofuels, but for global corn's inability to answer for our local feed needs since it is being used elsewhere, as bioethanol. The Philippine sugar farmer, numbering at least 100,000 strong, will now have the option to choose, based on profit considerations, what to produce and when to sell.

Energy crops demand is fueling interest in sweet sorghum, cassava and until recently, a much ignored bush called "jatropha curcas." The demand for bioethanol alone, will require more than 500,000 hectares of expansion areas for sugarcane, sweet sorghum and cassava, while driving home the need for cropping intensity in established areas of production. Together with supplying CME demand, the potential impact on idle lands being developed and thousands of jobs being created is too apparent to ignore.

To ensure that this crucial dividend does not pass us by, our President has ordered an increase in public expenditure programs focused on irrigation and road networks. In the last two years, funds allocated for these items have increased by more than 25%. Critical

support in seeds technology, better planting practices, extension and training services, research on crops and soils suitability and post harvest facilities have been ordered implemented, together with food logistics and market access programs to major population demand centers, to address the residual impact on food availability and consumer prices.

Efforts are also being focused today on certain key issues that have a direct impact on sustaining the growth of Philippine Agriculture in general, and these involve the extension of the Comprehensive Agrarian Reform Program, finding ways on how to tap the very liquid banking and capital market of the Philippines and implementing more environmental adaptation strategies under the Green Philippines Program.

Specifically in the area of Agrarian Reform, there is a recognition that even as the Government is committed to its extension, our Congress must do so under terms that will promote a new paradigm of agribusiness, that will draw from lessons in the past decades of agrarian reform implementation. Agrarian Reform can be a strong vehicle for growth but only if we move beyond short term goals of land distribution and the constraints of old ideologies, into market based partnerships. An expected outcome of resolving this issue, is what the program has been denied, for far too long: the flow of capital and production financing, from the liquidity flush Philippine financial sector.

But even as we concede that discussions will go on beyond this Conference, representatives of the family of nations here assembled, must recognize the following: first, the full dividends of the biofuels revolution will not materialize unless decisive action is shown on addressing climate change and environmental protection, as it affects agriculture. Nations responsible for emitting the most tonnage of greenhouse gases into the atmosphere, bear the grave moral responsibility to correct the situation today, even as other nations must do their share in ensuring greater environmental protection in their jurisdictions. Second, we must all leave this Conference with the unshakable consensus that the quest for more energy and power, will never supplant the primacy of our collective responsibility to provide food and sustenance for our peoples. For some nations, the issue of biofuels and food may be compartmentalized into an economic context. For a nation such as ours, the issue is the very peace, stability and survival of a nation of 90 million people.

We must act with haste and bold decision. As we sit here in conclave, the world's poor are withstanding the merciless assault of higher food prices...the direct result of our quest for more energy and procrastination in addressing the healing of mother earth. We are asked to seize a brave new world. And like the intrepid explorers of old, we must do so with courage, vision and hope....courage for those who are afraid of the unknown, vision to guide the efforts of all and hope that we will leave this world for mankind, better than when we found it.

Thank you.