

**Opening Remarks**

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Training Camp, Meralco Compound  
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## **MERALCO IN THE 21<sup>ST</sup> CENTURY TRANSFORMATION**

**By Secretary Emmanuel G. de Guzman**

*Vice Chair and Executive Director  
Climate Change Commission*

Thank you very much for inviting me to speak in this corporate congress. MERALCO has played a central role in our colonial and post- World War II history. Today it is playing a vital role in our people's ability to respond to what may just be the most serious immediate and long-term challenge our country has ever faced.

The facts surrounding climate change are known, and risks to vulnerable countries like the Philippines are mounting annually at a disturbing pace.

It was elating to be in New York weeks ago, along with 174 other countries that affixed their signatures to the Paris Agreement on Climate Change at the UN Headquarters in New York. It was the largest number of countries to come together on a single day to sign an international treaty. The event should be a reminder, if ever the audience here needs reminding, of the world's intention, among other things, to bring an end to the age of fossil fuels.

Working with an alliance of 43 vulnerable countries grouped under the Climate Vulnerable Forum, the Philippines fought tooth and nail to make the Paris Agreement as ambitious as possible. The Agreement's very existence is historic and should be welcomed as a testimony to the effectiveness of multilateral cooperation in the face of threats to global peace and security.

For the Philippines, the most important provision we fought for -- and won -- in the Paris Agreement was the promise in Article 2 to endeavor to limit global warming to no more than 1.5 degrees Celsius above pre-industrial levels. A 1.5-degree limit is the most ambitious target that is still achievable, provided we act urgently. Such a target also means rich nations, who are historically responsible for the climate crisis, need to do far more and faster. However, science also says very clearly that it also means everyone needs to contribute their fair share in climate action, including nations such as Bangladesh, Ethiopia, Costa Rica, and certainly, the Philippines.

What we stand to lose if we tarry is troubling. It means higher seas, salt-water inundated croplands, failed harvests, wrecked infrastructure, stunted market growth, longer heat waves, and dead coral reefs. We have already borne the brunt of some of the worst impacts of the climate crisis. I do not have to recount the names of extreme weather events that have laid to waste countless lives and livelihoods. Keep in mind that this is all taking place during a period when we have only just reached a one-degree Celsius rise in global average temperatures relative to pre-industrial levels.

A landmark report released just last week indicated heat stress as the biggest social and economic impact of climate change. The report, commissioned by the Climate Vulnerable Forum, was co-authored by the International Labor Organisation, the International Trade Union Confederation, and the International Organisation for Migration and the World Health Organisation.

Why? Well, the rise in temperatures means that people -- particularly those working outside -- should work fewer hours. During the times they do work, their health can be damaged. That means health costs go up, productivity is cut, and workers take home less pay -- all combining to cause the worst kind of ripple through the economies of vulnerable countries.

According to the report, without concerted action, the Philippines itself is projected to lose up to 10 percent of its working hours due to climate change-induced rising heat in the workplace, with similar losses to GDP.

Heat stress has already wiped several percentage points off the GDP of nations such as Bangladesh, Burkina Faso, India, Nigeria, Pakistan and Vietnam. And it will get worse. The cost of lost productivity globally due to warmer temperatures is anticipated to rise to more than USD2 trillion a year by 2030.

But climate change is not all about threats. Or at least climate change will remain a threat only to those who refuse to recognize the imperatives to act with a far greater sense of urgency as well as to act on opportunities available today.

Businesses that wish to be around for the long haul need to confront rapidly developing realities brought about by climate change. Utilities in particular play an incredibly critical role in ensuring that the Philippine Energy Plan and the Philippine Development Plan respond to such challenges.

There is an immense opportunity for groups such as MERALCO to lead, innovate and invest in new, sustainable and high efficiency transformational programs. MERALCO needs to start paying far more attention to collective climate action taking place globally, because an informed and strategically-minded MERALCO can only positively contribute to trends in the country, particularly in the field of energy.

I hope it has not escaped the notice of the government's economic managers that Peabody, the largest coal company in the world as of December 31, 2015, filed for

bankruptcy protection a month ago. According to Bloomberg, Peabody joins “at least four other coal companies that have sought bankruptcy as the industry endures its worst downturn in decades.”

In China, coal consumption has declined for two years, driving industry observers to project coal’s continued decline in the economic behemoth, or at the least an emissions plateau, which in itself is astounding notion. Two years back, the debate was on whether China would be able to peak its emissions around 2030. The Chinese government’s recent pronouncement curbing plans to build more coal plants is expected to prevent the completion of about 200 new coal-fired power stations.

On the other hand, as the Philippine Climate Change Commission pointed out recently, clean energy opportunities have never been clearer than they are today: “The cost of clean, renewable power is falling rapidly. The fact is, 90 percent of all energy installations last year were renewable. Recent tenders in India, Peru, Morocco and Chile have seen developers bidding to develop solar and wind farms more cheaply than fossil fuel plants – without subsidy, and even without accounting for the health and environmental costs of conventional fossil generation.”

All countries today, including the Philippines, are forced to rethink development pathways after the adoption of the post-2015 international frameworks namely the landmark Paris Agreement, the Addis Ababa Action Agenda, the Sendai Framework on Disaster Risk Reduction, and the implementation of Sustainable Development Goals or SDGs. This should lead us to conclude that we need to secure energy and infrastructure plans, and that investment decisions are made climate risk-sensitive and consistent with the Paris Agreement’s long term goal and ambition of limiting warming to no more than 1.5 degrees Celsius.

The Climate Change Commission will facilitate convergence and integration of various existing government efforts to national and local development planning in achieving national targets in line with the post-2015 international frameworks through the Communities for Resilience (CORE) Convergence Forum.

The CORE Convergence Forum aims to promote and facilitate among Local Government Units (LGUs) a risk-and-science based approach to local development planning. The LGUs within the 18 major river basins of the country are the main stakeholders targeted to benefit from this initiative.

This initiative aims to promote the understanding of climate and disaster risk by local communities, and to strengthen the technical knowledge and capacity of LGUs in developing Local Climate Change Action Plans (LCCAPs) focused on strengthening governance, enhancing rural livelihood, and ensuring ecosystems integrity. It shall facilitate the access of LGUs and people’s organizations to the People’s Survival Fund (PSF) - a 1 billion annual special fund to finance climate change adaptation programs and projects - to support their respective community adaptation and resilience building programs.

The CORE initiative is an important component of the National Convergence Program on Reducing Climate and Disaster Risks for a More Resilient and Sustainable Philippines, a flagship program of the Climate Change Commission that facilitates a whole-of-government approach and the convergence and integration of the efforts of all sectors and stakeholders to build the resilience of local communities in accordance with the post-2015 international frameworks.

The approach of the Philippines to the climate change challenge is not with a begging bowl mentality. Our approach is one of shared leadership, where the responsibility to lead is shared with developed nations. We do so by seeing the crisis as an opportunity as well to redesign nothing less than our country's investment agenda. This is why weeks ago we the Climate Change Commission called for a comprehensive review of the country's energy policy, to determine if it is compatible with the global goal of staying within the 1.5 degrees Celsius limit. If not, we must undertake drastic changes in policies that can allow us to embark on an early transition to resilient and sustainable programs that can power our economy and allow it to grow with commensurate stability.

We need MERALCO to be part of this review. For example, we need to determine what enabling conditions and policy frameworks need to be in place to incentivize the successful roll out of effective energy efficiency programs that will phase out more coal and brown investments. In addition, as we work to mobilize and access global and domestic resources for climate change-driven transformation, MERALCO needs to play a far more active part in helping determine where and how climate finance should be directed to catalyze greater private sector investments in scaling up renewables on the grid.

There are also particular trends that we all need to pay greater attention to, such as breakthroughs in energy storage in addition to, or in combination with the rapid and continuing decline in the price of renewables. We can do no worse than Saudi Arabia, which is already moving rapidly to secure a strategic energy transition pathway for itself. How it will do so is obviously a tough question.

Let me offer a few suggestions for your consideration:

We think it's high time for MERALCO to figure out how it evolves its business in an environment where storage is cheap and intermittent renewables are abundant in the face of worsening climate change impacts. In short, MERALCO should start to package and restructure itself as a forward-looking company that represents a clean energy future. MERALCO is a distribution company -- not a generation firm -- you will not be what environmentalists consider as the "bad guys" but only if you move strategically and more rapidly. You can start by showing far more preferential treatment for renewables, and by being more involved in dramatically improving awareness of net metering opportunities and drastically reducing processing times for applications.

As a forward-looking company Meralco-- the TESLA of Philippines -- should build on net metering and set for itself a solar rooftop target. It should promote more solar homes and decentralize energy supply sources. It needs to be not only a, but THE champion of the

Green Energy Option as articulated in the Implementing Rules and Regulations of the Renewable Energy Law. And finally it needs to develop smarter grids and measurably far stronger demand-side management technologies and programs.

Friends, indecision is the worst stance we can make today. By not acting decisively, we deprive ourselves of so many advantages and co-benefits, such as improved air quality, job creation and more stable energy prices due to a lesser emphasis on price-volatile fossil fuels.

We have a future to secure, and I hope we can count on MERALCO not merely to support government in this regard. Your great company can lead the private sector, and you can help lead the country towards a better future -- a future that is economically, ecologically and socially sustainable. The swifter we all move, the better off everyone will be.

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