

## Energy



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### In the News

**Biodiesel market heating up**

**Ramcar subsidiary to introduce first electric car in RP**

**Big 3 oil firms still scouting for new depot site**

**Basic Energy, Koreans tie up for waste-to-energy project**

**Gov't to auction 11 power plants next year**

**PNOC-EC shuts down natural gas plant**

**Aussie joint venture starts drilling for oil in Northwest Palawan basin**

**Metro Pacific in talks with partners in bioethanol project**

**Energy-efficient lamps pushed for Metro Cebu**

**Group eyes investment in wind energy facilities in Northern Luzon**

This industry update from KPMG Manabat Sanagustin & Co. is a bi-weekly collection of the latest news and developments from the country's Industrial Markets - Energy sector. We hope that you will find this service, which the Firm provides its clients for the different Lines of Business, interesting and useful.

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### **Biodiesel market heating up**

Competition in the local biodiesel industry is expected to heat up with the entry of more suppliers, even as the ethanol market remains stillborn due to huge costs and land issues, an industry official said. On the sidelines of a technical working group meeting for the implementation of a higher blend of biodiesel at the Department of Energy, Jun Lao, Chemrez Technologies, Inc. (ChemrezTech) chief operating officer, said three to four new companies are expected to vie for the supply of local oil firms' biodiesel requirements this year. ChemrezTech is one of these firms, supplying a substantial amount of local oil firms' biodiesel needs using coconut as feedstock to produce coco-methyl ester (CME). The company is the country's largest producer of bio-petroleum, resins, oleochemicals and powder coatings. Local oil companies bid out their biodiesel requirements on a short-term basis to gauge suppliers' reliability. With more players expected to enter biodiesel production and the law's mandate set to increase next year, Lao said that there is a need for the government and the private sector to ensure the compliance of companies with the country's biofuels standards.

<http://www.manilatimes.net/national/2008/sep/12/yehey/business/20080912bus5.html>

### **Ramcar subsidiary to introduce first electric car in RP**

Evnnovations, a new subsidiary of the Ramcar Group of Companies, announced it would sell an electric car model in the Philippines early next year. According to Karl Magsuci, business planning and development manager, the firm will import REVAi from India's Reva Electric Car Co., and would introduce these units commercially in January next year. The two-seater REVAi, the first electric car to be sold in the country, is powered by eight six-volt lead-acid batteries and could reach a maximum speed of 80-kilometers per hour. The car has a built-in charger, and the batteries could be charged on any 15-ampere, 220-volt outlet. REVAi is one of the latest models of the Bangalore-based carmaker, which is reputedly the world's leading electric car manufacturer. These electric cars are more popular in Europe. Due to the high acquisition cost, including excise tax and importation duties, the REVAi could be sold at around P900,000 per unit, Magsuci said, adding that EVnnovations targets car buyers in the A and B economic classes.

<http://www.manilatimes.net/national/2008/sep/12/yehey/business/20080912bus9.html>

### **Big 3 oil firms still scouting for new depot site**

Pilipinas Shell Petroleum Corp., Petron Corp. and Chevron Philippines (formerly Caltex) have yet to decide if they are going to stay in a single location, Shell Country Manager Edgar Chua told reporters. Chua said, however, that the big three are considering options that are "within the vicinity of Metro Manila" although there are concerns about getting local government permits and approvals. "We will have no control on securing approvals and that is one of the major concerns for us," Chua said. Another concern on relocating outside Metro Manila include "spot zoning" moves, where a local government can change its mind about the classification of an area anytime. "It is definitely one issue we are concerned of, and not only for the Pandacan depot but for other depots as well," Petron President Kamal M Al-Yahya said earlier. The Supreme Court on May 13 ordered the major oil firms to move their operations from Pandacan as it poses a security threat to the residential area around it and even to the country's seat of power, the Malacañang Palace, which is located near the oil depot. Half of the country's fuel demand as well as 100 percent of its lubricant requirements for the transport and industrial sectors are sourced in Pandacan.

<http://www.gmanews.tv/story/119934/Big-3-oil-firms-still-scouting-for-new-depot-site>

### **Basic Energy, Koreans tie up for waste-to-energy project**

Basic Energy Corporation (BEC) has forged an agreement with two Korean firms to look into the possibility of converting the San Mateo landfill into an alternative energy source.

In a disclosure to the Philippine Stock Exchange, BEC said that it has signed a memorandum of understanding (MOU) with New Kanlaon Construction, Inc. and Integrated Environwaste Processors Corporation. Under the MOU, the parties will conduct a feasibility study for the purpose of transforming the said dumpsite into an alternative energy source through methane gas extraction and use for electricity generation. The proponents plan to earn carbon emission receipts that can be traded as carbon credits representing 235,442 metric tons of reduced greenhouse gas emissions under the Kyoto Protocol-Clean Development Mechanism (CDM). The CDM allows companies to sell their carbon credits to a broker, a CDM developer, or to an exchange. For instance, the World Bank has a Prototype Carbon Fund, a consortium of six governments and 17 energy companies that buy and sell such carbon credits.

<http://www.manilatimes.net/national/2008/sep/10/yehey/business/20080910bus7.html>

### **Gov't to auction 11 power plants next year**

The state-owned Power Sector Assets and Liabilities Management Corp. (PSALM) will sell 11 more power plants in 2009. Based on the proposed privatization timetable presented to the Joint Congressional Power Corp. (JCPC) over the weekend, PSALM president Jose Ibazeta said they will kick off next year's auction with three big-ticket items in January. Scheduled for disposition by the start of 2009 are the 116 megawatt (MW) Subic, the 620-MW Limay and the 100-MW Power Barge (PB) 117. Lined up in February is the 100-MW PB 118. By April, PSALM will sell the 210-MW Navotas I and II and the 55-MW Naga. In July 2009, it plans to auction off the 192-MW Palinpinon, followed by the 800-MW Sucat and the 112-MW Tongonan in August. By September, PSALM will bid out the 150-MW

Bacman, and the 52-MW Cebu II in October. For the remainder of 2008, PSALM has set the auction of several decommissioned plants.

<http://www.philstar.com/index.php?Business&p=49&type=2&sec=27&aid=2008090714>

#### **PNOC-EC shuts down natural gas plant**

Philippine National Oil Co.-Exploration Corp. (PNOC-EC) has decommissioned its natural gas plant in Isabela province because of depleting supply. In a statement, PNOC-EC said that it has shut down its three-megawatt San Antonio gas power plant in Echague, Isabela after 14 years of providing electricity to more than 10,000 households in the province. PNOC-EC is the upstream petroleum and coal unit of government-owned PNOC. The company's power plant was permanently shut down on July 31 after pressure from the gas well dropped below the required inlet pressure of the power plant. It simply means that the well can no longer supply the right amount of gas to keep the power plant running. The San Antonio facility is the first natural gas power plant in the country and is covered by Service Contract 37. The plant was fueled by natural gas coming from the San Antonio 1A gas field which was drilled in 1991, and confirmed to contain as much as four billion cubic feet of gas. PNOC-EC said that from its commissioning in 1994 up to its shut-down date, the power plant has generated a total of 187.48 gigawatt-hours of electricity while the well has produced a total of 3.54 billion cubic feet of natural gas.

<http://www.manilatimes.net/national/2008/sep/09/yehey/business/20080909bus10.html>

#### **Aussie joint venture starts drilling for oil in Northwest Palawan basin**

Nido Petroleum Ltd. and Kairiki Energy Ltd. have started drilling activities in their service contract (SC) area in the offshore Northwest Palawan basin, which includes the first exploration well to be drilled in the area in over a decade. In a statement to the Australian Stock Exchange, Nido said that the joint venture began drilling the Yakal-1 exploration well covered by SC 54 on Monday. The company said that the Yakal-1 well "is expected to take approximately three weeks to drill and if justified, will be suspended pending extended well testing." Yakal-1 is the first exploration well to be drilled in the Northwest Palawan basin, which is considered the most prospective area for petroleum exploration in the country in almost 10 years.

<http://www.manilatimes.net/national/2008/sep/10/yehey/business/20080910bus9.html>

#### **Metro Pacific in talks with partners in bioethanol project**

Metro Pacific Investments Corp. (MPIC), the listed flagship company of Hong Kong-based First Pacific Co., is in talks with five local and foreign companies for a potential partnership in bio-fuels production. Assistant vice president for investor relations, Denis Lucindo, told the BusinessMirror that the company is "still interested in biofuels, in general, and we are open to proposals. In fact, there are ongoing discussions now with some companies which are exploring projects here." Lucindo's disclosure came a day after MPIC announced the termination of its memorandum of understanding (MOU) with Basic Energy Corp. (BEC) for a joint venture in biofuels. When asked when he expects the new talks to be completed, he said, "It is hard to say though if a deal would be finalized within the year as the discussions are still at an early stage." MPIC said it cancelled plans for a biofuels joint venture with BEC as the financial model the latter

presented failed to meet its expectations. The MOU between the two parties was signed in July.

<http://www.businessmirror.com.ph/09082008/companies03.html>

#### **Energy-efficient lamps pushed for Metro Cebu**

The Visayan Electric Co., Inc. (VECO) has signed an agreement with a lighting fixtures manufacturer to promote the use of energy-efficient and environment friendly lamps among the utility's nearly 300,000 customers in Metro Cebu, a VECO statement read. Starting next month, VECO will attach to the electricity bills discount coupons from Osram Philippines Ltd. Corp. for the purchase of compact fluorescent lamps. Rockford Marketing Corp. (RMC), a national distributor of Osram, also signed an agreement with VECO and Aboitiz Co., Inc. (ACO) to provide discounts of 20%-30% on Duluxstar Twist and Duluxstar 2U CFL bulbs to VECO and ACO employees. "Studies show that CFL bulbs are known as low-energy light-bulbs, therefore a money-saving commodity. A household can save as high as 80% of power consumption cost in a year," VECO said.

<http://www.bworldonline.com/BW090808/content.php?id=057>

#### **Group eyes investment in wind energy facilities in Northern Luzon**

A consortium of Filipino businessmen is eyeing to put up a wind farm in the Northern Philippines. Mario Marasigan, Department of Energy director, said the group will be investing about \$250 million for a 100-megawatt wind farm in Pasuquin, Ilocos Norte. The consortium is made up of the Delgado family and Energy Logics Philippines Inc. The project's feasibility study is expected to be completed in a year. The group is expected to subsequently seek the final approval from the DOE, Marasigan said. "They will submit the feasibility study so that we will know the scope of the project. Project cost is about \$2.5 million per MW and they are looking at a 100MW wind farm," Marasigan said. The DOE official said that because the project will tap into renewable energy, the group received technical assistance from regional lender Asian Development Bank. If the feasibility study will favor pushing through with the project, the consortium may also tap financial assistance from the ADB.

<http://www.gmanews.tv/story/117671/Group-eyes-investment-in-wind-energy-facilities-in-Northern-Luzon>

#### **Feedback**

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