# The Philippines

## Perspectives on the Green Economy

2021

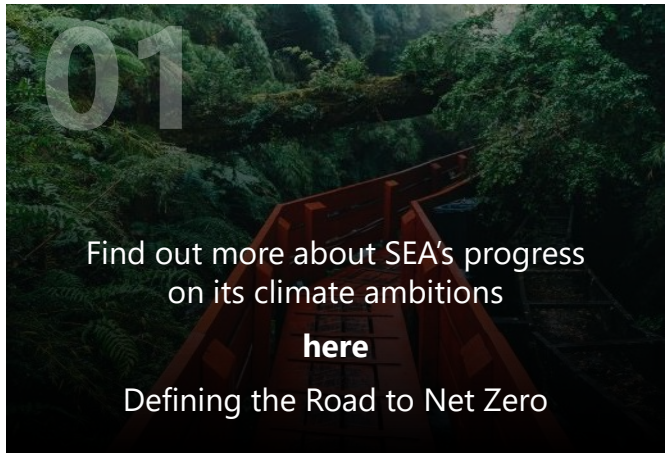
Main report

Read the main report

**here**

SEA's Green Economy 2021 Report: Opportunities on the Road to Net Zero

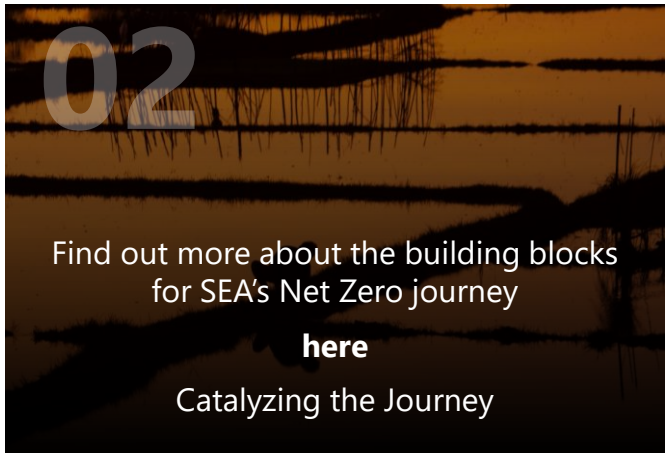
Deep-dive sections




Find out more about SEA's progress on its climate ambitions

**here**

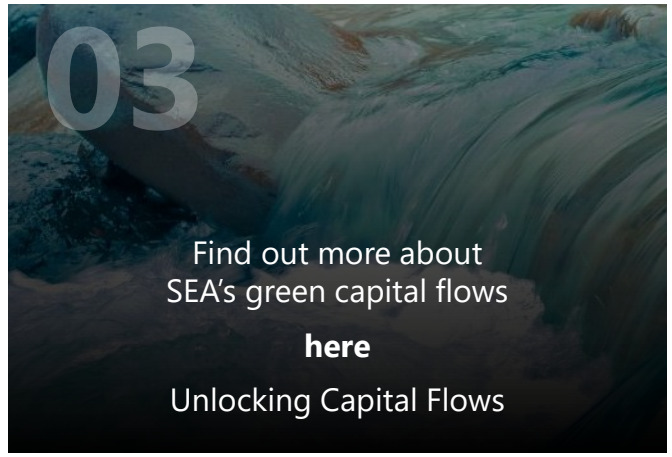
Defining the Road to Net Zero




Find out more about the building blocks for SEA's Net Zero journey

**here**

Catalyzing the Journey

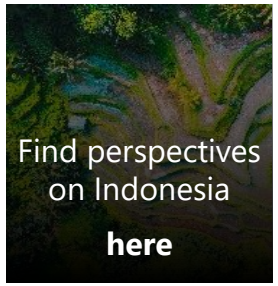



Find out more about SEA's green capital flows

**here**

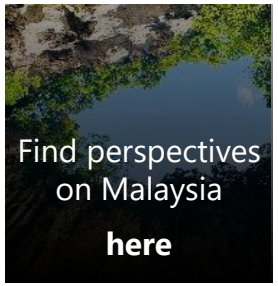
Unlocking Capital Flows

Country insights



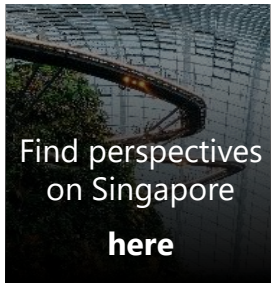
Find perspectives on Indonesia

**here**



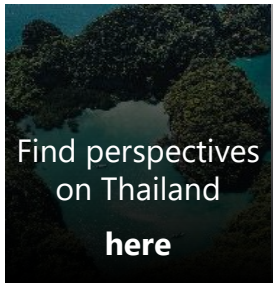
Find perspectives on Malaysia

**here**



Find perspectives on Singapore

**here**

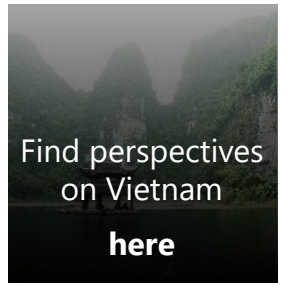


Find perspectives on Thailand

**here**

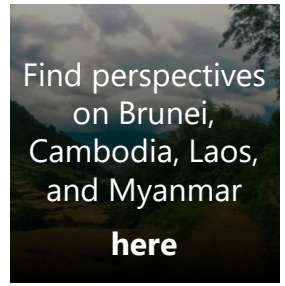
**The Philippines**

**This report**



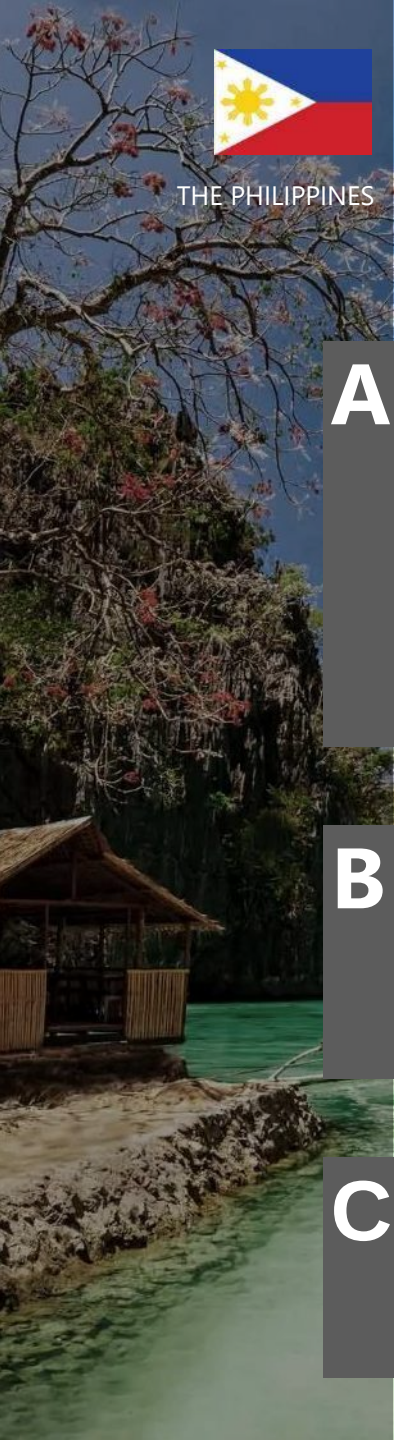
Find perspectives on Vietnam

**here**



Find perspectives on Brunei, Cambodia, Laos, and Myanmar

**here**




# Key takeaways

## A The Philippines could leapfrog to become a sustainability leader in Southeast Asia (SEA)

With the its renewables industry and natural capital attracting international attention, the Philippines has the potential to develop directly into a green economy. There is also opportunity to better manage its waste sector and electrify its transport sector.

Key opportunities:

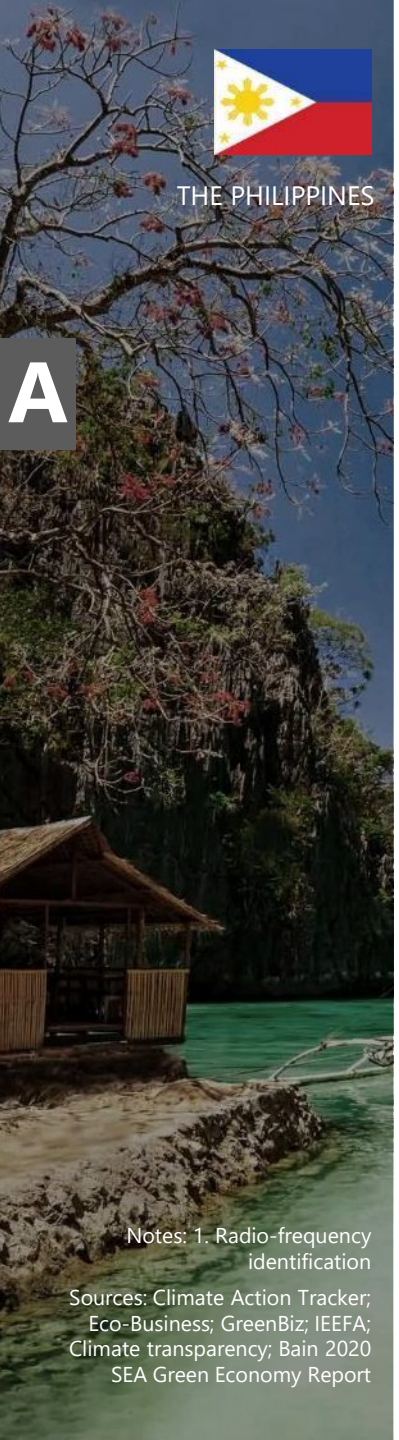
- Solar energy infrastructure
- Wind energy powerhouse
- Mangroves and blue carbon stock
- Plastic waste management
- Availability of green financing
- Smart city innovations

## B Promising developments underway to achieve ambitious targets, and absolute annual emissions are projected to decrease in 2030 from 2018 levels conditioned upon international support

The Philippines is pushing to reduce emissions by phasing out coal and attracting green financing. In line with government commitments, businesses are also answering the call with 2 Science Based Targets initiative (SBTi) signatories in 2021 and multiple others with carbon neutral targets as soon as 2022. Based on the latest conditional nationally determined contributions (NDC), the Philippines' 2030 absolute annual emissions, emissions per capita, and emissions intensity of GDP are expected to decrease compared to 2018, though unconditional NDC targets imply that absolute emissions and emissions per capita will keep increasing without sufficient international support.

## C Green businesses rising to prominence in investment space

The share of green investments that the Philippines has increased across all asset categories. Private equity/venture capital (PE/VC) activity and corporate investments have grown, although overall infrastructural spending has slowed in 2020, potentially due to pandemic.



THE PHILIPPINES

A

# The Philippines could leapfrog to become a regional leader in sustainability

Key opportunities:

## Solar energy infrastructure

By 2030, renewables are projected to be a $30 billion market, with >35% for solar power. There is opportunity for investors to build out accompanying infrastructure, such as an electric grid to cope with fluctuating production and photovoltaic (PV) recycling plants for end-of-life PV waste management to smoothen the transition.

## Plastic waste management

With the third-highest level of plastic pollution in the world, the government is seeking to ban or restrict single-plastic use. However, in Davao alone, >300 tons of biodegradable garbage is still produced daily. Businesses can leverage sensors, RFID,[1] or AI sorting automation to tackle it together.

## Wind energy powerhouse

The Philippines has 160 GW of wind energy potential in offshore areas within 200 km of its shores – one of only eight global emerging markets. Unlike other such economies, it does not have technological transfer limitations. Global proven wind technologies can readily be adapted for the Philippines.

## Availability of green financing

Since the approval of the Sustainable Finance Framework, banks are required to include environmental and social risk in their strategic objectives and operations by 2023. Financing will be more available for green technologies and businesses as banks seek to diversify their portfolio.

## Mangroves and blue carbon stock

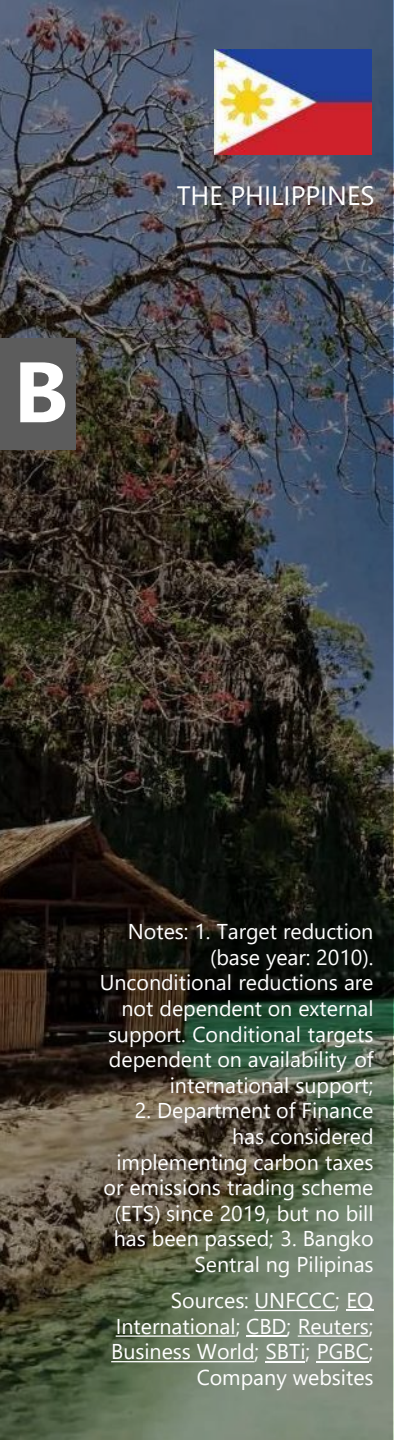
Mangroves can sequester 4-10x more carbon per hectare compared to terrestrial forests. With 250,000 ha of mangroves in Philippines, and blue carbon projects becoming increasingly viable, mangrove conservation has serious potential, especially if digital solutions to monitor and verify carbon sequestration is adopted.

## Smart city innovations

Representing 26% of direct emissions, the transport sector requires urgent disruption – the fuel mix must comprise 60% low-carbon sources by 2050 for it to be 1.5°C compatible. Given the dominance of road transport in the Philippines, building smart public transit systems or local electric vehicle ecosystems will provide outsized returns.

Notes: 1. Radio-frequency identification

Sources: Climate Action Tracker; Eco-Business; GreenBiz; IEEFA; Climate transparency; Bain 2020 SEA Green Economy Report



THE PHILIPPINES

B

# Promising developments underway to achieve ambitious targets

## Governmental policies for climate change

| | |
|---|---|
| **No** | **Net Zero** target |
| **2.7%** unconditional[1] | **emissions reduction** from business-as-usual by 2030 (75% conditional) |
| **ETS/tax[2]** | under consideration |
| **38%** of total installed capacity | **to be renewables** by 2035 |
| **No** | **net loss in natural forests, mangrove, seagrass, and coral cover** by 2028 |

## Landmark moves in the past year

Nov 2020 — The Philippines **shuts door on new coal power proposals** — REUTERS

2021

May — The Philippines to spend **P318 billion for 'green' projects** — The Manila Times

Jul — BSP[3] invests **$550 million** in sustainable bonds — philstar GLOBAL

## Business commitments to Net Zero

**2** SBTi signatories

Joined in...

2021 — Globe, HOPE BUSINESS FOR GOOD

**Multiple others** with emission targets

Non-exhaustive

Net Zero by...

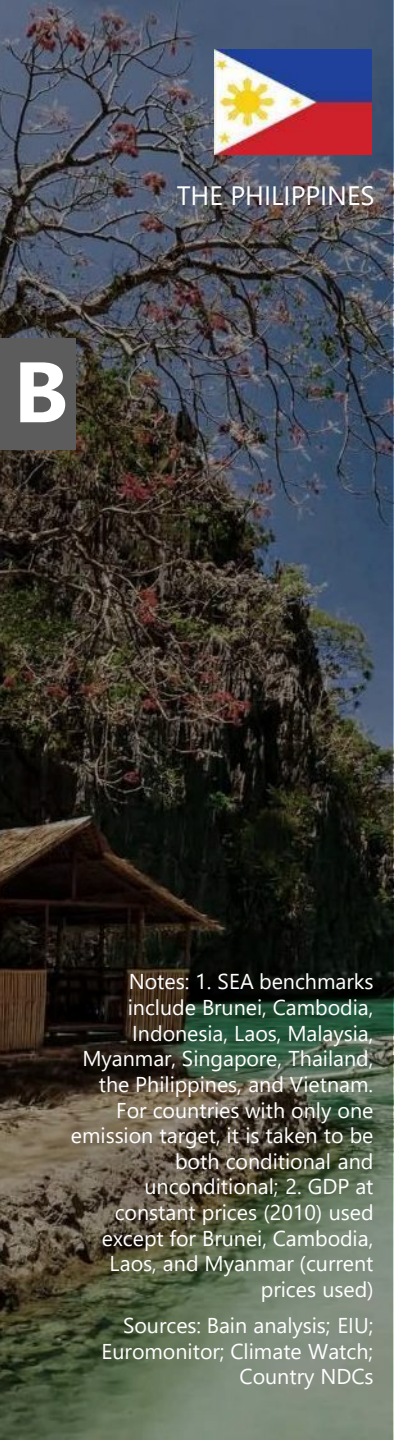
2050 — Smart

Carbon neutral by...

2022 — AyalaLand

Notes: 1. Target reduction (base year: 2010). Unconditional reductions are not dependent on external support. Conditional targets dependent on availability of international support; 2. Department of Finance has considered implementing carbon taxes or emissions trading scheme (ETS) since 2019, but no bill has been passed; 3. Bangko Sentral ng Pilipinas

Sources: UNFCCC; EQ International; CBD; Reuters; Business World; SBTi; PGBC; Company websites



THE PHILIPPINES

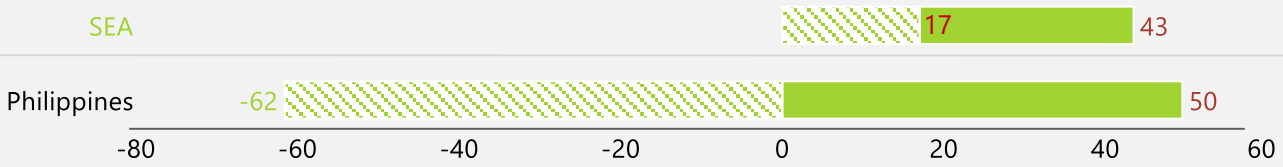
B

# From 2018 to 2030, the Philippines' unconditional absolute annual emissions expected to increase more than SEA overall, but conditional emissions would more than halve

Based on latest NDC targets

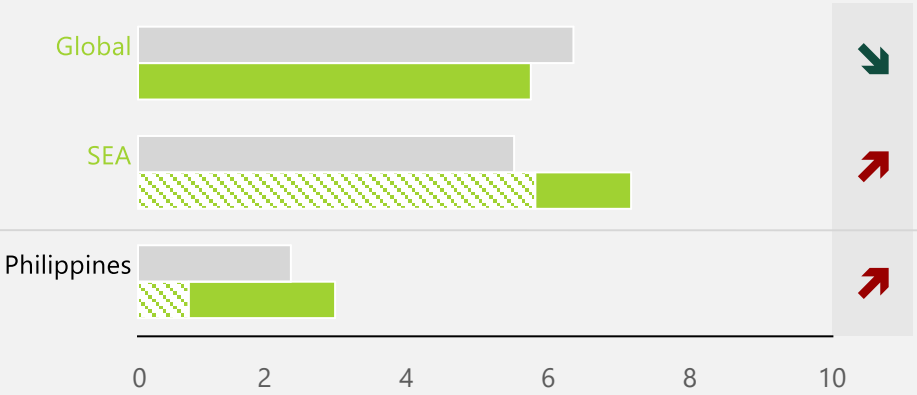
## The Philippines' unconditional absolute annual emissions set to increase more than SEA[1] overall from 2018 to 2030, but conditional emissions to decrease while SEA overall increases

**Change in absolute annual emissions by 2030 (from 2018), %**

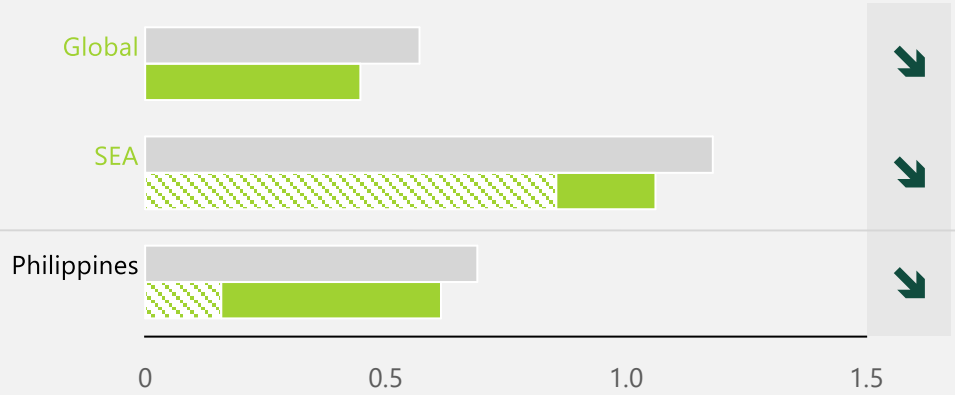



## The Philippines' unconditional emissions per capita set to increase while conditional emissions to decrease from 2018 to 2030; emissions intensity of GDP to decrease in both scenarios. Both metrics to remain lower than global and SEA overall

**Emissions per capita ($tCO_2e$ per capita)**



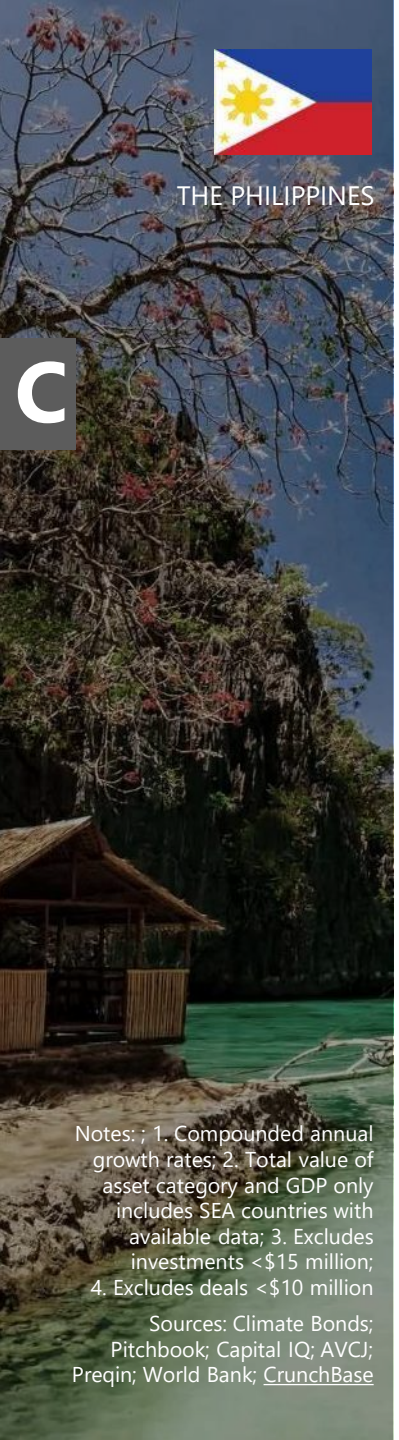

**Emissions intensity of GDP[2] ($tCO_2e$ per US$ 1,000)**




2018 (actual) | 2030 (conditional NDC) | 2030 (unconditional NDC)

Notes: 1. SEA benchmarks include Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Singapore, Thailand, the Philippines, and Vietnam. For countries with only one emission target, it is taken to be both conditional and unconditional; 2. GDP at constant prices (2010) used except for Brunei, Cambodia, Laos, and Myanmar (current prices used)

Sources: Bain analysis; EIU; Euromonitor; Climate Watch; Country NDCs



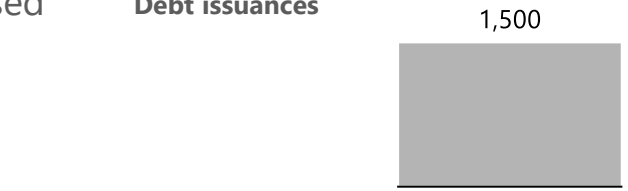
THE PHILIPPINES

C

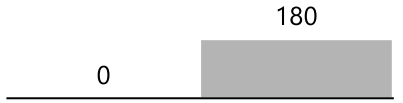
# Green businesses rising to prominence in investment space

## Green capital raised
(US$ million)

**Debt issuances**




**PE/VC fundraising**
CAGR:[1] NA




| | | Debt issuances | PE/VC fundraising |
|---|---|---|---|
| | % of total | - | - 28.7% |
| | % of GDP | 0.47% | - 0.05% |
| SEA benchmark[2] | % of total | - | - 9% |
| | % of GDP | 0.4% | - 0.02% |

## Green capital deployed
(US$ million)

**Corporate investments[3]**
CAGR: **32%**

**PE/VC deals[4]**
CAGR: NA

**Infrastructure**
CAGR: **-22%**


| | | Corporate investments | PE/VC deals | Infrastructure |
|---|---|---|---|---|
| | % of total | 2.4% 15.5% | - 42% | 16% 100% |
| | % of GDP | 0.03% 0.10% | - 0.05% | 0.16% 0.05% |
| SEA benchmark[2] | % of total | 3% 11% | 5% 19% | 23% 36% |
| | % of GDP | 0.09% 0.17% | 0.01% 0.07% | 0.17% 0.07% |

**Key insights:**
Debt issuances and PE/VC fundraising were above SEA benchmarks in 2020
Green capital deployed would be above SEA averages as a share of total capital deployed, but below SEA benchmarks as a proportion of GDP – suggesting the Philippines is leapfrogging into sustainable investments
**Transport** remains an attractive sector, with **Energy** increasingly important

Notes: ; 1. Compounded annual growth rates; 2. Total value of asset category and GDP only includes SEA countries with available data; 3. Excludes investments <$15 million; 4. Excludes deals <$10 million

Sources: Climate Bonds; Pitchbook; Capital IQ; AVCJ; Preqin; World Bank; CrunchBase

For queries on the Philippines' Green Economy, please reach out to:

Dale Hardcastle, Co-Director of GSIC (Dale.Hardcastle@Bain.com)
Gerry Mattios, Co-Director of GSIC (Gerry.Mattios@Bain.com)
Patricia Nichol, The Philippines Office Head (Patricia.Nichol @Bain.com)

BAIN & COMPANY Microsoft TEMASEK