Japanese Trading Companies Take Advantage of Past Experiences for Expanding Renewable Energy Projects in the Philippines[1]

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In the Philippines where economic growth has been remarkable, Japanese trading companies have recently participated or invested in renewable energy and relevant projects.

In June, it was reported that Marubeni would build a geothermal power plant in the Philippines in cooperation with major Italian power utility Enel. They would found a joint venture with a local company within this year to launch a drilling survey. In the initial project, they would construct the geothermal power plant with capacity exceeding 100 megawatts for operation starting around 2020, investing 20-30 billion yen.

In September or three months after the news, a report said that Mitsubishi acquired a 20% stake in an 80 MW wind power plant in northern Luzon. The plant, owned by major Philippine conglomerate Ayala Corporation, launched operation in November 2014. The deal represents Mitsubishi's first ever participation in a wind power generation project in Asia excluding Japan. In the same month, Sojitz unveiled a plan to sell solar power generation systems in the Philippines. It would install solar photovoltaics panels at local factories of Japanese companies and undertake their maintenance and operation checks. This move may apparently represent a part of the recent trend in which a growing number of Japanese companies have been shifting production bases to the Philippines from China that is plagued with an economic growth slowdown and rising labor costs.

A Japanese trading company has also expanded into infrastructure for transmitting renewable energy-based electricity. In October 2014, the 54 MW San Lorenzo wind power generation plant launched operation under a project in which Japan's Kanematsu won a 10 billion yen order for constructing the plant and submarine electricity transmission cables from local independent power generator Trans Asia Renewable Energy Corporation, or Terec.

The Philippines, as well as Thailand and Indonesia among other Southeast Asian countries, is a market where the renewable energy sector is expected to grow. As its economy has grown at a high annual pace of 6-7%, electricity supply expansion has failed to catch up with rapid electricity demand growth. Therefore, the Philippine government developed a national renewable energy program (NREP) in 2008, beginning full efforts to diffuse renewable energy. It has developed various tax incentives for renewable energy developers in addition to a fixed feed-in tariff system for

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renewable energy-based electricity generation introduced in 2012. The Philippine government has indicated a positive attitude on climate change measures, making an ambitious commitment to reduce greenhouse gas emissions by 70% by 2030, ahead of the 21st Conference of Parties to the U.N. Framework Convention on Climate Change, or COP21, opening in Paris late this year. It cited electricity generation, transportation and waste disposal as priority areas for emission cuts, indicating that renewable energy diffusion will accelerate in these areas. The way has been paved for Japanese trading companies to expand renewable energy business in the Philippines.

Japanese trading companies have long handled large-scale energy infrastructure projects in the Philippines and are adept in power generation projects. Regarding geothermal energy, Sumitomo built the Malitbog geothermal power plant (comprising three 77.5 MW units) as one of the largest such plants in the Philippines as early as 1998 and launched operation at the 49.4 MW Nasulo geothermal plant in 2014. The abovementioned Marubeni has also handled the development, operation and maintenance of geothermal power plants at two locations in the Philippines. Mitsubishi, participating in the wind power plant project as noted above, has had long-term experiences with power generation projects in the Philippines. In 2002, Mitsubishi constructed a 1,200 MW sophisticated gas turbine combined power plant in Luzon in cooperation with Korea Electric Power Corporation and Kyushu Electric Power Co. Mitsubishi can take advantage of its know-how from the project for renewable energy projects. Japanese trading companies' advantages in the Philippines include not only such experiences but also massive financial power and deep business relations with local governments, financial institutions and supply chains.

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