

Philippines: supercharging the transition

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The Philippines will submit an updated Nationally Determined Contribution (NDC) by the end of this year with emissions targets for 2035. The country's strategy for decarbonisation will need to balance its national development goals with climate considerations. Energy is one of the key sectors requiring decarbonisation in the Philippines, as it is responsible for 58% of the country's total emissions.[1] Therefore, the national strategy will need to support sustained economic growth and ensure energy security and affordability, while also advancing the transition to a low-carbon energy system.

The Philippine Energy Plan (PEP) is the country's long-term power plan, the goal of which is to grow the share of renewables to 35% of the energy generation mix by 2030, and to more than 50% by 2040. The current share is 22%. Boosting renewables sourced domestically will reduce the country's reliance on imported fossil fuels and enhance energy security. Imported energy goods such as mineral fuels, oils, and oil distillation products made up 15% of the country's total imports in 2024, at about $16.7bn in value. This accounted for 30.8% of the total trade deficit of goods that same year.[2]

In this paper, we analyse a financing proposal for the Philippines' energy transition via Sustainability-Linked Bonds (SLBs). This type of bond structure can help set strong incentives for renewables and emissions targets while allowing investors to participate in the country's energy transition. The first proposed SLB structure is tied to the country's 2030 renewables targets, and the second to a hypothetical interim carbon emissions target.[3]

Key takeaways

- The Philippines is set to accelerate its energy transition by scaling up the renewables sector. Financing the renewable energy rollout using an SLB can help lower the cost of financing.
- The proposed structure would use renewables share of energy mix as a key performance indicator (KPI), with targets set at 35% and 40% by 2030, aligning with the country's renewable target.
- As the Philippines turns attention to updating its NDC for 2025, complete with new emissions targets for 2035, there is an opportunity for the country to introduce an ambitious interim 2030 emissions target. An SLB with one KPI linked to emissions provides a powerful financing tool to achieve a better cost of capital for its energy transition.

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[1] "Clean Energy Finance and Investment Roadmap of the Philippines", OECD Publishing, Paris, 2024.
[2] "Philippines Balance of Trade", Trading Economics, Jun 2025.
[3] For reference, Slovenia issued Europe's first SLB in Jun 25, for more information on this transaction please refer to "Slovenia launches sovereign decarbonisation SLB", AFII, 23 Jun 2025.

Not investment advice. First published 14 Aug 2025. Important disclaimers at end of the document.
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Coal-fired power plants (CFPPs)

In 2024, the Philippines imported 39.9 Mt of coal, up from 29.1Mt in 2019. The International Energy Agency (IEA) expects coal imports to reach 47 Mt in the next three years.[4] Coal is the dominant source of power in the Philippines, accounting for a 62.5% share of electricity generation in 2024. Most of this coal is imported.[5]

Independent Power Producers (IPP) account for close to 90% of the coal-fired power generation in the Philippines.[6] These IPPs are privately held, with the exception of the Mindanao CFPP, which is under a build-operate-transfer (BOT) concession until 2031, after which ownership will be transferred to PSALM (Power Sector Assets and Liabilities Management Corporation) — a government-owned organisation. There are talks underway on retiring the Mindanao plant early, but the timeline is unclear. Nevertheless, retirement of CFPP would have to be dealt with primarily by the private sector.[7] The first and only announced coal retirement is the South Luzon Thermal Energy Corp's (SLTEC) coal plant in Batangas, owned by the ACEN group.

In 2020, the Philippines set a moratorium on new coal plants, though it allowed commissioned but not built facilities to move forward between 2025-2027. Existing and operational plants seeking to expand can also bypass this ban. There is also no target or timeline to phaseout coal or decommission coal plants. A more targeted approach by the government could play an important role in phasing coal plants out, using policy tools. This could include international concessionary capital and other financial incentives.

Renewable energy - key to the future

The Philippines has moved forward with key policies and investments that have accelerated renewables development since 2024. The Renewable Portfolio Standards (RPS), which mandates that distribution utilities and electricity suppliers to procure a minimum take-up of renewables as power source, should help increase market share for the sector. The Green Energy Auction Program (GEAP) which has picked up steam in its third auction this year, also shows promise in unlocking solar, wind, battery storage and other renewables project investments through to 2035. The lifting of the foreign ownership rule in 2022 for renewables projects and developments has played a role in attracting overseas capital. In Jan 25, Masdar, a UAE-based renewables company,[8] announced energy projects of up to US$15bn in the Philippines.[9]

AFII estimates that as much as 15.1 GW of additional renewable energy capacity could come onstream by 2030, in part because of these policies.[10] If this occurs, renewables will likely achieve 35% of the power mix by 2030.

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[4] "Coal 2024 Analysis and forecast to 2027", International Energy Agency, Dec 2024.
[5] "Philippine Power Statistics", Department of Energy, 15 Jun 2025.
[6] "Investment Plan for the Republic of the Philippines", Climate Investment Fund–Accelerating Coal Transition Program, May 2024.
[7] For detailed analysis on coal refinancing and the power sector in the Philippines, please see "Coal Refinancing in the Philippines", TransitionZero, 18 Jan 2024.
[8] Masdar is owned by the Abu Dhabi National Oil Company, Mubadala Investment Company, and Abu Dhabi National Energy Company.
[9] "Renewable Energy Agreements Signed with Philippines at Abu Dhabi Sustainability Week 2025", Department of Foreign Affairs, 17 Jan 2025.
[10] See Table 4 in the Appendix for estimated schedule of RE projects to come onstream in the Philippines.

At present, a new solar plant paired with energy storage is already cost competitive against new coal and gas power plants in the Philippines. Further improvements in technology will drive onshore wind power costs down, helping it achieve cost parity with gas and coal by 2028.[11] This will lower the need for fuel imports and reduce reliance on volatile commodities such as LNG and coal. Electricity prices, which are now the second highest in the ASEAN region behind Singapore, could also become more affordable. For a more detailed discussion of the renewables policies, grid access, and renewables economics, please see the Annex.

Philippines NDC and targets

Table 1. NDC- Philippines (2021), Source: Climate Action Tracker, accessed 6 Aug 2025

	2030 Unconditional target	2030 Conditional target
Absolute emissions level in 2030 excl LULUCF[12]	384 $MtCO_2e$ (119% above 2010)	96 $MtCO_2e$ 45% below 2010
Formulation of target	2.71% of the 75% BAU[13] reduction	75% below a cumulative 2020-30 BAU scenario
Global methane pledge		Reduction of 30% from 2020 levels
Net-zero target	No net zero/ no longer term target	

The Philippines is scheduled to submit its updated NDC before COP30 in November 2025. It is set to overachieve its unconditional target for its 2021 NDCs, but the conditional target of 96$MtCO_2e$ (45% below 2010 levels excluding LULUCF) requires very strong reduction in emissions and is dependent on international support. The unconditional target is a commitment that the Philippines has pledged to meet using its own resources. The current 2021 NDC also refers to an aspirational peak emissions goal by 2030.

Table 1 highlights the goals of the 2021 NDC and some other non-binding targets. According to Climate Action Tracker (CAT), the Philippines' GHG emissions are estimated to reach 340-357 $MtCO_2e$ by 2030 (excluding LULUCF) under the current policies.[14] This is easily below the unconditional target of 384 $MtCO_2e$, without further actions. The large gap between the conditional target of 75% and the unconditional target of 2.71% leaves significant potential to raise the latter in the updated NDC this year. CAT estimates that a fair target aligned with a 1.5°C pathway would require the Philippines to cap its emissions at approximately 260 $MtCO_2e$ by 2030.

Sustainability-linked financing proposal

We note the recent positive developments in the Philippines to drive up renewable energy generation in solar, wind, and hydropower. These renewables also have favourable cost structures compared to fossil sources, given the advancements in technology. There will still be some need for investors to take risks by backing emergent energy storage technology for solar and wind, however. The government can cover any policy and financing gaps needed to incentivise storage technology as well as transmission and grid expansion. To drive this transition, financing

[11] "The Philippines' Path to Clean and Affordable Electricity", Bloomberg NEF, 3 Jun 2025.
[12] LULUCF is land use, land use change and forestry.
[13] BAU refers to Business as usual with current policies.
[14] "CAT Climate Action Tracker Philippines", Climate Action Tracker, 5 Jun 2023.

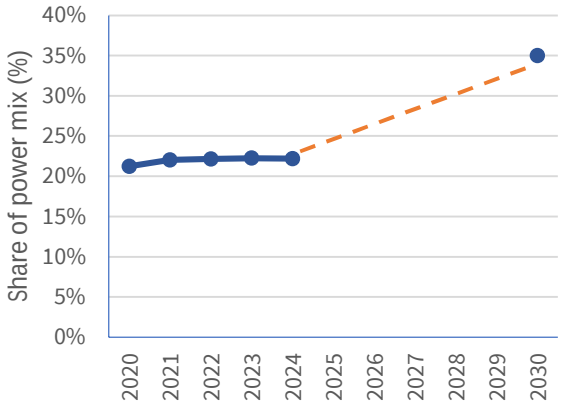
structures that encourage transition goals can be powerful. In the following section, we propose two such structures.[15]

Sustainability-linked bond (SLB) tied to renewables targets

The first proposal is an SLB where the Sustainability Performance Targets (SPTs) are aligned with the country's renewables goal. The Department of Energy (DOE) publishes energy mix data annually, under the power statistics segment. The denominator is the sum of all gross power generation by all plant types in GWh, while renewable energy generation is the sum of all renewable generation sources including geothermal, hydro, biomass, solar, and wind. There would be two targets for this bond: a 35% renewables share and 40% renewables share, both set for 2030. The targets observation date would be in 2031, when the DOE publishes the data for the prior year (estimated timing).

The bond would be a 10.5-year instrument, maturing in February 2036. Within the current Philippines curve, the 10yr maturities are clustered around 2035, while there are no existing bonds maturing in 2036, meaning this SLB would fit in nicely.[16] The curve is also very flat between 10-12 years, hence an extension from 10 years to 10.5 or 11 years implies a similar spread.

Figure 1. Renewables as power generation share in the Philippines, source: Department of Energy Annual Power Statistics, 2024.



If the first target of 35% is not met, the coupon would step-up by 50bps. In contrast, if the second target is met, the coupon would step-down by 50bps. Therefore, there are three scenarios for the outcome of this bond after the observation date: 1) No step-up of coupon (target between 35-40% of renewables achieved); 2) Step-up of 50bps (less than 35% renewables achieved) or 3) Step-down of 50bps (more than 40% of renewables achieved).

The step-up or step-down of the coupon would occur in 2031, six years into the bond's term, and would potentially affect the coupon for the remaining 4.5 years of its life.

Bond Features	AFII proposal - SLB
Maturity	10.5 yr Jan 2036
Observation date and step up	2031
SPT 1	35% renewable energy in power mix in 2030
Step-up	+50bps on not achieving SPT 1
SPT 1A	40% renewable energy in power mix in 2030
Step-down	-50bps on achieving stretch SPT1A

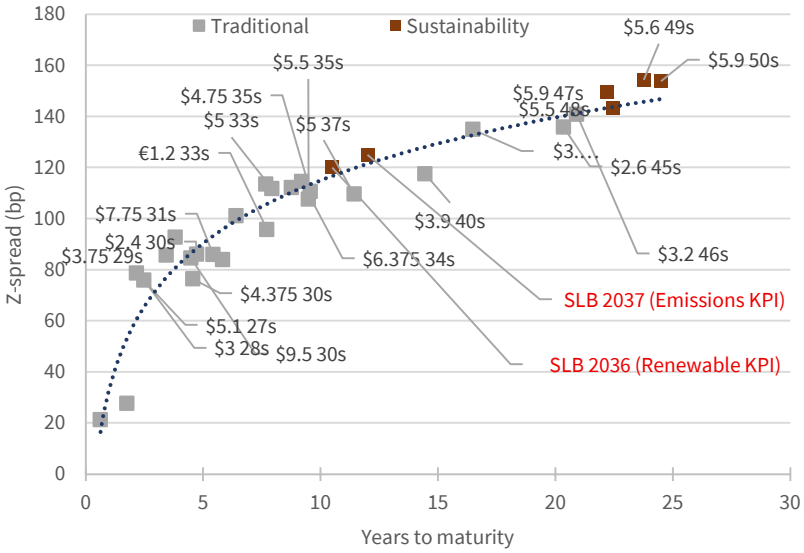
The pricing for this coupon step-up or step-down would depend on the likelihood of the Philippines achieving its targets. **Our base assumption is that the Philippines has a 50% probability of achieving the 35% renewables target, given the policy momentum and**

[15] For further detailed reading on setting targets in performance-linked bonds structures, see the chapter *Setting sustainability performance targets*, pp. 91-129, in "Sustainability-Linked Bond Handbook", AFII, 2024.
[16] A "long-10yr" transaction would already fall into the 2036 maturity bucket.

successful auctions and investor interest year-to-date. Based solely on the historical pace of renewable energy expansion, the 35% target is unlikely to be met. However, the latest GEA auctions (the third to the fifth auctions in 2025 in Jan and Sept) could potentially expand the renewable energy capacity by 15,153 MW by 2030.[17]

In this scenario, renewables share of the energy mix would increase by 6.25% each year from now until 2030, versus only an average of 1.14% increase from 2020-2025. **We assume that the Philippines has a lower (15%-20%) probability of achieving the second target, as it would** require much more aggressive renewables take-up and financing.

Figure 2. Philippines US$ Sovereign curve. Source: Bloomberg, accessed 14 Aug, 2025.



Option pricing analysis

We use an option pricing model (Black-Scholes) to assess the bond's step-up/down option structure.[18] The assumptions for the option will be based on 1) a higher drift (increase of rate in renewables growth) of 6.25% compared to the past five years and 2) an underlying volatility of 5% to reflect execution risk associated with the new policies.

Table 2 indicates the range of probabilities implied by the option model when using different drift rates and volatilities.

Table 2. Implied probabilities for the option to be exercised against drift and volatility assumptions using option pricing model

Step-up probabilities

	Volatility Assumption		
Drift	2%	5%	10%
2.00%	0%	1%	10%
5.50%	17%	33%	37%
6.25%	52%	**49%**	45%
7%	86%	65%	53%

Step-down probabilities

	Volatility Assumption		
Drift	2%	5%	10%
2.00%	0%	0%	4%
5.50%	0%	8%	21%
6.25%	1%	**16%**	27%
7%	9%	27%	34%

If the rate of increase in renewables ramps up to 6.25% per year, based on current renewable energy policies, the option model indicates a 49% probability of meeting the 35% target (49%

[17] For information on the estimated renewable capacity please see the Annex, under Renewable Energy Policy.

[18] For the pricing methodology, refer to the "Sustainability-Linked Bond Handbook", AFII, 2024, in particular the sections *Basic pricing of SLBs*, pp. 33-55, and *Stochastic pricing: the Black-Scholes approach*, pp. 141-153.

probability of step-up), and a 16% probability of meeting the 40% stretch target (16% chance of step-down). This is in line with the estimated probability described earlier.

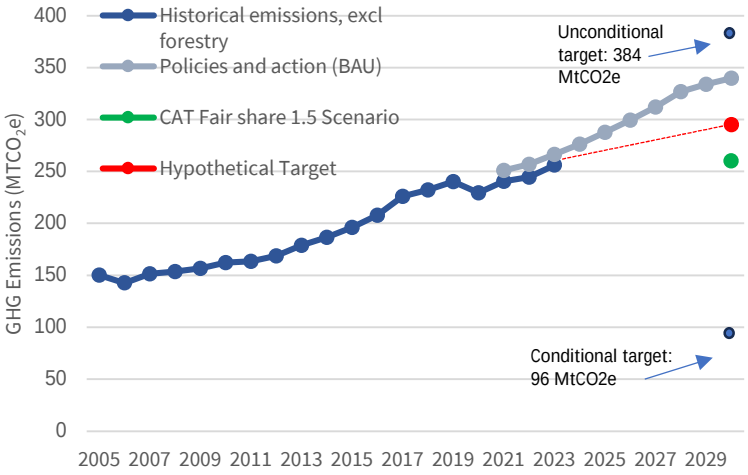
As there is a much higher probability that the Philippines will achieve the 35% target than the 40% target, the net option value would be positive for the investor. **The upfront value of the net option is positive at 0.634%, while running value is 0.074%.**

If a 10.5-year traditional bond for the Philippines prices at a coupon of 4.85% (z spread ~115bps), then the fair value of the sustainability-linked structure would be 4.776% (4.85%-0.074%=4.776%). In running terms, this would provide the issuer with a 7.4bps lower funding costs, on an annual, non-discounted basis, for the issuer. On the other hand, there is a hedge for the investor in the form of the coupon step-up, if the targets are not met.

SLB tied to hypothetical emissions target

There are no official GHG emissions statistics published by the Philippines beyond 2020, when total emissions, including those from Forestry and Other Land Use (FOLU), were reported at 204.3 Tg CO_2e (equivalent to 204.3 Mt CO_2e).[19] Under the BAU scenario outlined in the implementation plan for the current NDC, GHG emissions for the period 2023–2025 are projected to range between 250 and 260 $MtCO_2e$.[20] For 2023 specifically, the Emissions Database for Global Atmospheric Research (EDGAR) estimates the Philippines' total GHG emissions at 256.1 $MtCO_2e$ (excluding LULUCF).

Figure 3. Philippines historical emissions and theoretical target for 2030, Source: Emissions Database for Atmospheric Research [21], Climate Action Tracker and own estimate



A "fair share" scenario, as suggested by CAT, would allocate the Philippines 260 $MtCO_2e$ of emissions in 2030, which is consistent with a 1.5°C pathway. Like many developing countries, the Philippines are expected to see their emissions rise in the near term before peaking and eventually reducing. The country's current NDC strives for 2030 to be the peak emissions year. Under the Paris Agreement, the principle of common but differentiated responsibilities holds, allowing developing countries to set targets which reflect their developmental stage and historical contribution to climate change.[21] Therefore, a more reasonable target would be somewhere in between the indicative BAU 2030 scenario of 384 Mt CO_2e and the 260 Mt CO_2e "fair share" scenario.

[19] "The Country's Total Greenhouse Gas Emissions Reached 204.33 Teragrams of Carbon Dioxide Equivalent in 2020", Philippine Statistics Authority, 9 Jul 2024.
[20] "Implementation Plan for the Republic of the Philippines NDC 2020-2030", Climate Change Commission, 2003, link.
[21] "New NDCs: How the Paris Agreement shapes climate futures", 1 Mar 2025.

For our second proposed SLB, we use a hypothetical target of 295 $MtCO_2e$ to incentivise emissions reductions. While we acknowledge that the lack of baseline data is challenging, we use the best available data to illustrate the structure. Figure 3 shows the Philippine's historical emissions based on EDGAR's 2024 report[22] and the BAU scenario from Climate Action Tracker, as well as various targets. This illustrates how far apart the conditional and unconditional targets are, and how our hypothetical targets fit in.

For this SLB, we propose a 12-year bond and an SPT of 295 MtCO2e. The target observation date would be Dec 31, 2031 (year six), by which point 2030 emissions data would be made available. If emissions were above this target on the observation date, the bond would step-up by 50bp in year seven, on the February 2032 coupon date. Based on the historical trend provided by EDGAR, the rate of increase of GHG emissions from 2015-2023 has averaged 3.5%. We will therefore assume a 2023 baseline of 256.1 MtCO2e. Annual GHG emissions must grow by less than 2% if the below 295 $MtCO_2e$ target is to be achieved by 2030.

The main challenge is quantifying the likelihood of the Philippines being able to achieve this hypothetical target, given that the country is still in the process of developing its 2025 NDCs. There are obviously positive developments on the renewable energy front, but the country is also pushing for expansion of LNG as a transition fuel, which could cause emissions to rise. We estimate that the Philippines has a 20-30% chance of meeting the hypothetical target. This is because it is very ambitious and would require a concerted effort by the government and private sector.

Option pricing analysis

For this SLB, we will use the same option pricing model (Black-Scholes) to assess the bond's step-up structure. We come up with the following set of probabilities based on the drift assumptions (the rate of increase in GHG emissions) and the volatility of emissions.

Table 3. Drift and volatility assumptions for bond's step-up option and corresponding probabilities of option being in-the-money.

	Volatility Assumption		
Drift	2%	3%	5%
2.0%	38%	43%	48%
2.5%	16%	26%	37%
3.0%	4%	13%	27%
3.5%	1%	6%	18%

Table 3 shows that if the rate of increase of emissions is higher than 2% annually, there will be less than a one-third chance of achieving the target. Even with a consistently lower 2% annual increase, the probability of achieving the target is between 38-48%.

Assuming the most optimistic scenario of 2% emissions growth per annum with a 2% volatility, the option value will be 1.25% upfront and have a running value of 0.13%. This means that if the Philippines prices a traditional 12-year bond at a coupon of 4.91% (z-spread~ 120 bp), then this SLB will be priced at 4.78%. In this case, given the lower probability of achieving the hypothetical emissions target, the option value is higher (as there is greater likelihood that there will be a step-up). The investor will be hedged via the 50bps coupon step-up if the emissions target is not achieved.

[22] "GHG emissions of all world countries 2023", *Publications Office of the European Union*, 2024, https://data.europa.eu/doi/10.2760/4002897

Conclusions

The Philippines' target of achieving a 35% renewables share in its energy mix is ambitious. But there are promising signs from recent policy announcements and investments in GEA auctions that make it achievable.

- **An SLB is a means to finance the renewable energy transition and brings with it potential cost savings for the issuer if targets are achieved.**
- **Our proposed structure offers an incentive to go beyond the renewables target to 40% by 2030 and has an asymmetric probability of coupon step-up and down. The net option has an upfront running value of 7.4bps (0.074%), which is significant.**
- **Given most of the funding for renewable energy projects is provided by the private sector, the government's role should be to ensure good linkages between generating capacity and the grid system.**

The Philippines' forthcoming NDC will include new emissions targets and pathways to achieving them. Establishing an interim, achievable but ambitious, target is important and would signal to stakeholders that the Philippines is supportive of climate mitigation and resilience.

An SLB would be a powerful financing instrument that could potentially drive a lower cost of capital for the Philippines' overall transition.

Annex

Renewable Energy Policy

The Government of the Philippines developed the Renewable Portfolio Standards (RPS) to increase the market share of renewable energy. The RPS policy guarantees a revenue stream for the renewables industry. RPS policy mandates that the distribution utilities and electricity suppliers procure a minimum of 13.9% of supply from renewable energy sources in 2025. The RPS obligation is set to increase by 2.52% annually to reach 26.5% in 2030 and 51.7% in 2040.[23] Renewable Energy Certificates (RECs) are used to track compliance with the policy and are traded actively in the Renewable Energy Market (REM). The maximum REC price is set at 241.56 pesos per 1000 kWh.

In 2022, the 40% foreign ownership cap was lifted for the renewables sector. Foreign investors can have full ownership in exploration, development, and utilisation of renewable energy sources in the Philippines, including existing projects. This will help to attract international capital, widening the capital pool for renewable energy development.

The auction system for renewable projects awards is also a means to attract funding. The second auction, in 2023, saw 8,000 MW of the 11,600 MW of renewable energy projects remaining unsubscribed. However, since then the Department of Energy (DOE) has turned the process around. During the previous auction in 2023, many participants noted challenges including the competitive selection process, scope, pricing ,and transparency. The permitting process has also been a hindrance, with a new project needing 167 permits to set up as of 2024.[24]

However, the Green Energy Auction Program (GEA-3) held in early 2025 was successful. Bids of 7500 MW of renewable energy projects were drawn versus the government's target of 4,650 MW, with Pumped-Storage Hydropower (PSH) receiving the most interest at 7,000 MW bids versus an allocation of 4,250 MW. PSH is an energy storage facility that helps cover the intermittency of other renewable sources. Notably, the key independent power groups including San Miguel Power, Aboitiz Power Corp, ACEN, NextGen Energy Corp were amongst the bidders.

The fourth auction will focus on 10 GW of solar and wind capacity and will take place in September 2025. In June, bids were submitted, and the DOE noted that there were more than 200 bids from 142 companies. These auctions show that there is interest in financing the renewables space in the Philippines and that the roll out will significantly increase before 2030. The supply contracts are 20 years in duration and the tariffs for the projects will be subject to indexation.

When considering the third and fourth auctions and the planned fifth GEA auction later this year, the expected increase in renewable energy projects could equate to as much as 19,278 MW.

[23] "The Philippines' Path to Clean and Affordable Electricity", Bloomberg NEF, 3 Jun 2025.
[24] Ibid.

Table 4. Renewable energy projects estimated to come onstream 2026-2035, Source: Department of Energy, Philippines, AFII estimates. Note: For GEA-3, the timeline is estimated, as there is a total of 4250 MW of pumped hydro storage for delivery between 2028-35, 100 MW of geothermal between 2025-2027, and 300 MW of impounding hydropower between 2028-30.

Renewable energy projects (MW)	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
GEA-3 (Hydro)			825	825	825	825	825	825	825	825
GEA-4 (Solar/wind)	2744	2362	2766	1506						
GEA-5 Offshore wind			1100	1100	1100					

This would increase the current renewable power capacity from 9,520 MW to as much as 24,673 MW by 2030. Based on a 5% growth in power generation from 2024 to 2030 (versus a 5.7% average post-Covid annual growth rate), renewable energy's share of the power mix could exceed 35% by 2030. We note that increasing renewable energy capacity does not equate to renewable energy production for the energy mix in the same proportion. In fact, the actual power generation from renewable energy averaged about 33-38% of the renewable capacity in the past ten years. However, even accounting for a lower conversion rate of 30% from capacity to generation, the renewable energy share of power mix should exceed 35% by 2030.

Holding regular auction rounds and more auctions for energy storage systems to address the intermittency of solar and wind projects would be helpful in attracting investments and aid in planning for capacity. The government could work with the private sector to set policies that ensure these renewable energy projects are integrated into the electricity grid and encourage take-up of renewables by independent power groups. Furthermore, early decommissioning of CFPP could become more feasible with government incentives.

Renewable grid access

One of the bottlenecks for higher renewable energy take-up is the connection of transmission lines to renewable energy sources. Renewable energy capacity in 2024 was 32%, which compares to 22% of actual power generated by renewables.[25] This disconnect could be due to the lack of timely investment and land clearance issues encountered by the transmission company National Grid Corporation of the Philippines (NGPC).

NGPC is the operator of the grid in the Philippines and is 60% owned by Synergy Grid of the Philippines and 40% owned by State Grid Corporation of China. NGCP is currently pushing forward with its Transmission Development Plan 2025-2050 to expand capacity and integrate renewables into the grid. It is also using BESS (Battery energy storage systems) with 1.8 GW of committed projects and 2.5 GW in planning.

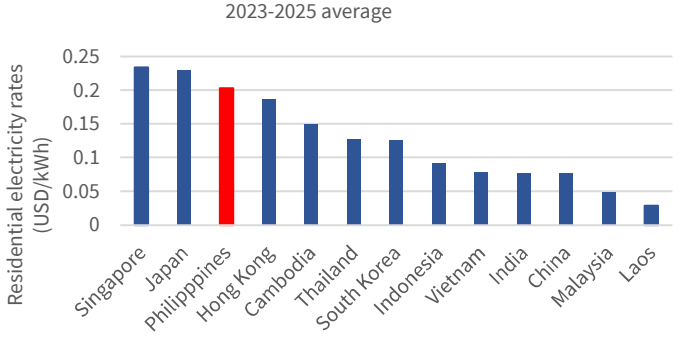
One policy priority of the government is to ensure that new renewable energy projects coming onstream have access to the grid. This requires working together with NGCP and the Energy Regulatory Commission (ERC) to ensure integration for renewables into the grid is timely. There could also be opportunities for private sector or other companies to directly build and invest in the grid infrastructure to connect the renewable capacity to the end users.

[25] "Annual Power Statistics - Installed and Dependable Capacity per Grid and per technology, 2003-2024", 15 Jun 2025.

Renewable energy economics

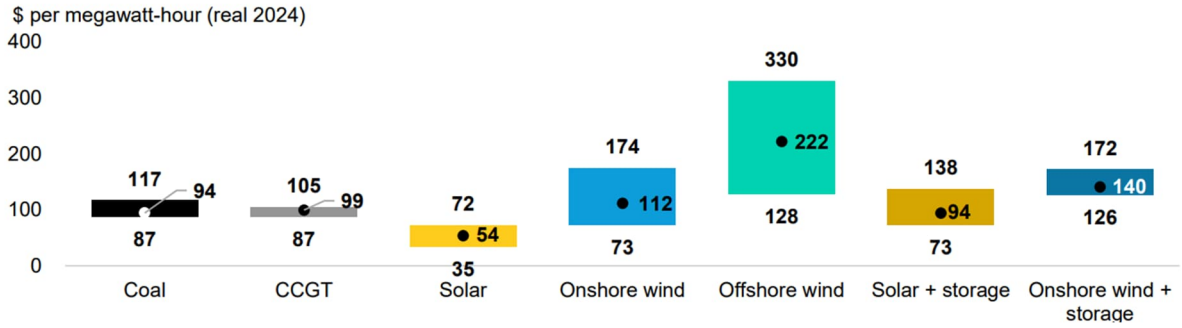
The current PEP relies on high levels of gas imports and domestic generation to replace coal. An additional 21 GW of fossil fuels, in the form of natural gas, is in the pipeline.[26] Although fossil gas produces less GHG emissions than coal, the import of gas exposes the Philippines to volatile fuel prices. These imports could increase the cost of electricity and worsen the trade deficit.

Figure 4. 2023-5 average residential electricity rates in Asia, Source: Global Petrol Prices



Alternate renewable energy that is cheaper, cleaner, and sourced domestically should be encouraged. For example, a new utility-scale solar power plant in the Philippines currently ranges from $35-72 per megawatt-hour (MWh) (2024 real US$ basis), which is lower than the equivalent $87-105/MWh for a combined gas cycle gas turbine and $87-117/MWh for a coal power plant.[27]

Figure 5. Levelized cost of electricity of new power plants in the Philippines in 2025, by technology. Source: Bloomberg BNEF



The chart above compares different renewable energy sources to coal and CGGT (combined-cycle gas turbines). The levelized cost of electricity is a financial measure used to assess the long-term offtake power price needed to recoup the initial project set up cost. What is striking is that solar is the clear winner, even when taking storage costs into account, as it costs a similar amount as coal and is cheaper than gas. According to BNEF, onshore wind will become the second cheapest power generation source by 2028. By 2032, onshore wind with storage will achieve cost parity with coal and gas power plants.[28]

Figure 4 shows electricity prices in Asia. Residential electricity prices continue to be high in the Philippines, with average prices being the second highest in the ASEAN region after Singapore and the third highest in Asia.[29] When factoring in the competitive prices for renewable energy, having renewables as part of the power mix brings immediate and future cost benefits for the overall electricity price to the end user.

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[26] "Philippines power sector snapshot", SIPET, 2024.
[27] "The Philippines' Path to Clean and Affordable Electricity", Bloomberg NEF, 3 Jun 2025.
[28] Ibid.
[29] "World average electricity prices", GlobalPetrolPrices.com, Jul 2025.

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