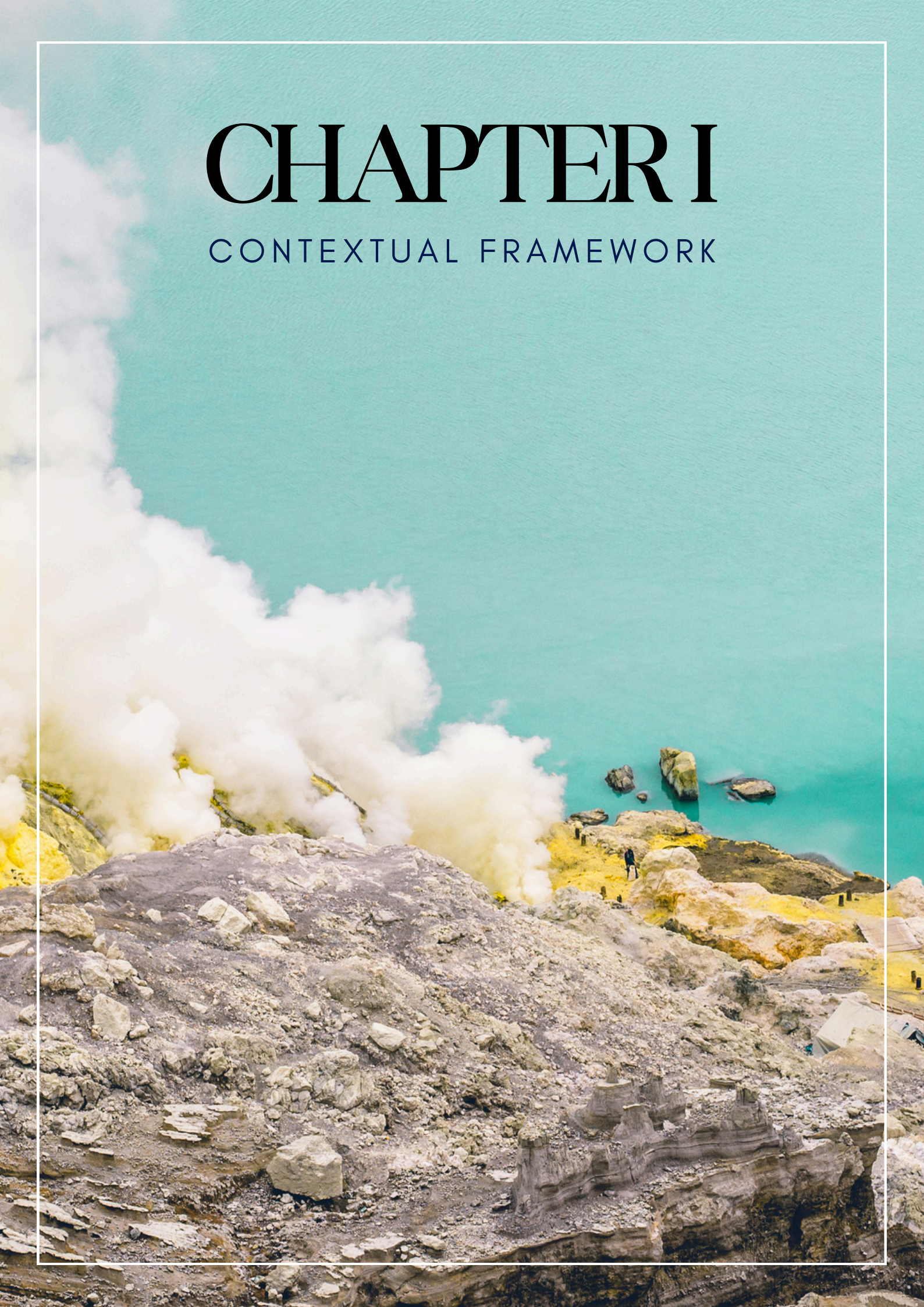


CHAPTER I

CONTEXTUAL FRAMEWORK



Chapter 1: Contextual Information¹

I. Introduction

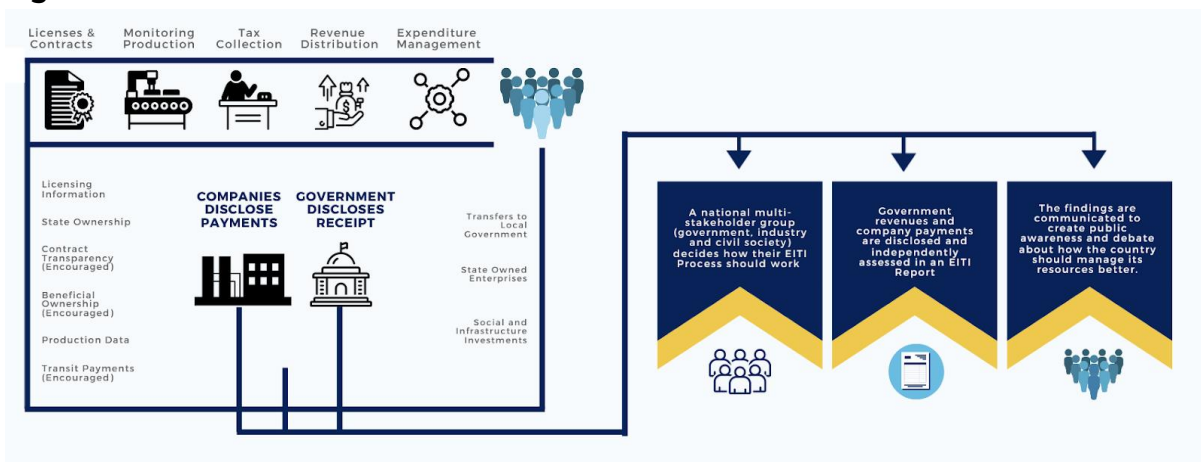
The Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative² (EITI) is a global initiative that aims to promote the transparent and responsible management of natural resources such as oil, gas, and minerals. The initiative is based on the principle that these resources belong to the citizens, and therefore, citizens have the right to know how they are being managed. It seeks to address key governance issues in the extractives industry by providing a platform for multi-stakeholder engagement and implementing the EITI Standard.

EITI is a multi-stakeholder organization that includes governments from supporting and implementing countries, companies, and civil society organizations. The EITI International Board is the initiative's primary decision-making body, responsible for setting priorities and evaluating EITI countries' progress in meeting the EITI Standard. EITI countries undergo a quality assurance assessment process called Validation every three years to determine their progress in implementing the EITI Standard.

Since its inception in 2003, the EITI has become the global benchmark for transparency in the extractive industry, with more than 50 countries joining the initiative. EITI countries commit to disclosing information along the value chain of extractive industries, from the extraction point to how revenue is managed by the government and its contribution to the economy. This information helps in policymaking and multi-stakeholder dialogue in the extractive sector.

Figure I-1. The EITI Process³



¹ Mary Nicole M. Hilario, Lead Writer (PH-EITI Deputy National Coordinator).

² For more information, go to <https://eiti.org/>.

³ PH-EITI, "What is EITI," accessed 26 Sept 2023, <https://pheiti.dof.gov.ph/what-is-eiti/>.

The EITI Standard

EITI member countries pledge to comply with the guidelines specified in the EITI Standard. This standard comprises a set of uniform regulations aimed at fostering good governance by improving transparency, reinforcing accountability, and encouraging public discourse on natural resource management. It has seven key categories, as outlined below.

Req. 1 – Oversight by the multi-stakeholder group. Ensures the full, active, and effective participation of government, companies, and civil society in the EITI process.

Req. 2 – Legal and institutional framework, contracts, and licenses. Enables stakeholders to understand the regulatory landscape of extractive industries, including laws, fiscal regimes, contracts, licenses, ownership, and institutional responsibilities of the State and other key actors in the sector.

Req. 3 – Exploration and production. Enables stakeholders to understand the potential of the sector by disclosing exploration, production, and export data.

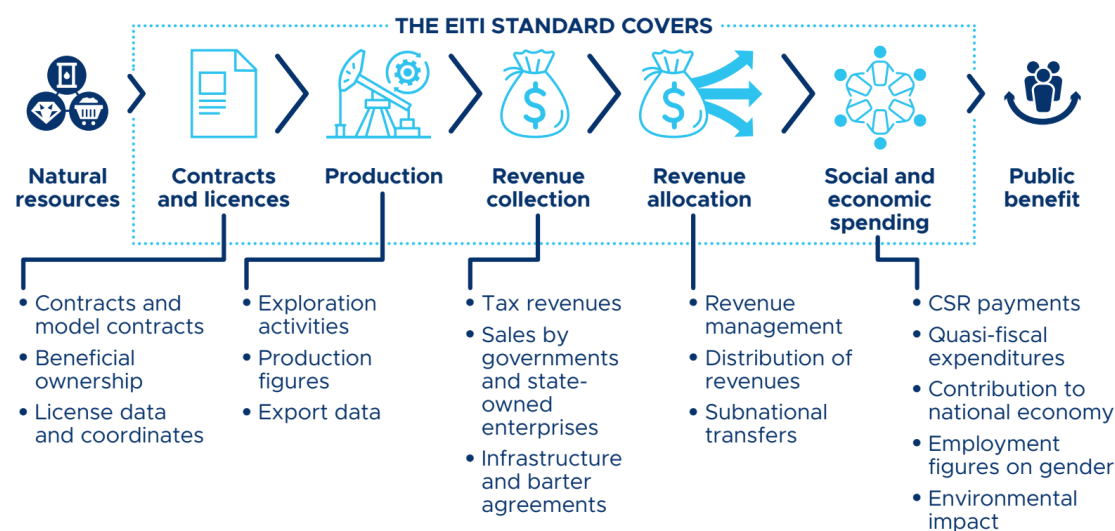
Req. 4 – Revenue collection. Discloses both company payments and government revenues to inform public debate on the governance of the extractive industries.

Req. 5 – Revenue management and distribution. Enables stakeholders to understand how revenues are distributed, allocated, and spent, both at the national and subnational levels.

Req. 6 – Social and economic spending. Helps stakeholders assess whether spending from the extractive sector leads to desirable social, economic, and environmental impacts and outcomes.

Req. 7 – Outcomes and impact. Ensures that stakeholders are provided with information on the results of natural resource revenue management.

Figure I-2. Data disclosed under the EITI⁴



The EITI Standard was first introduced in 2013 and is updated regularly to respond to a changing global context and stakeholder needs. On 12 June 2023, the 2023 EITI Standard

⁴ EITI, "EITI Factsheet," accessed 26 Sep 2023, <https://eiti.org/documents/eiti-factsheet>.

was officially launched. This fourth edition of the EITI Standard includes several new and refined provisions that enable EITI-implementing countries to respond to the most pressing challenges of natural resource governance today. The latest EITI Standard aims to improve understanding of the impacts of the energy transition, address corruption risks, promote gender equity, and strengthen revenue collection. EITI-implementing countries will be assessed against the 2023 EITI Standard from 1 January 2025.

The Philippine Extractive Industries Transparency Initiative

On 6 July 2012, the Philippine government committed to participate in the Extractive Industries Transparency Initiative (EITI) through Executive Order (EO) No. 79, s. 2012.⁵ This commitment led to the creation of the Philippine Extractive Industries Transparency Initiative (PH-EITI) and the formation of the Multi-Stakeholder Group (MSG) chaired by the Department of Finance (DOF) under EO No. 147, s. 2013.⁶ The MSG is composed of representatives from the government, industry, and civil society, and is supported by a national secretariat of administrative and technical personnel to efficiently carry out its duties.

The PH-EITI MSG membership composition is as follows.

- The government is represented by the DOF, the Department of Environment and Natural Resources (DENR), the Department of Energy (DOE), the Department of Interior and Local Government (DILG), and the Union of Local Authorities of the Philippines (ULAP).
- The industry is represented by the Chamber of Mines of the Philippines (COMP) and the Petroleum Association of the Philippines (PAP).
- Civil society is represented by Bantay Kita, a coalition of civil society organizations advocating for transparency and accountability in the extractive industries.

The PH-EITI aims to increase transparency and accountability in the country's extractive industries. The initiative covers all metallic and non-metallic mines, as well as oil, gas, and coal projects that have made material payments to the government. It publishes an annual country report that includes reconciled data on government revenues and company payments, along with contextual information on the oil, gas, and mineral sectors in the country. The report also includes recommendations from the Multi-Stakeholder Group (MSG) for better resource governance.

All the data collected and compiled by the PH-EITI are accessible through its website, <https://pheiti.dof.gov.ph>. The website also offers online data tools such as the Contracts Portal, Extractives Data Generator (EDGe), and Beneficial Ownership Registry. In addition to these, the PH-EITI conducts various national and subnational activities to engage and capacitate stakeholders to participate in resource governance.

⁵ Office of the President, Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources, Executive Order No. 79, s. 2012 (6 July 2012) (Phil.), <https://www.officialgazette.gov.ph/2012/07/06/executive-order-no-79-s-2012/>.

⁶ Office of the President, Creating the Philippine Industries Transparency Initiative, Executive Order No. 147, s. 2013 (26 Nov 2013) (Phil.), <https://www.officialgazette.gov.ph/2013/11/26/executive-order-no-147-s-2013/>.

Over the past decade, the PH-EITI has been successful in achieving its goals by disclosing data and engaging stakeholders. Some of its accomplishments include:

- First to attain satisfactory progress among EITI countries in revenue transparency, contract and ownership transparency, and systematic disclosure in 2017.
- Reconciled a total of PHP 405.4 billion in government revenues from over 100 oil, gas, and mining projects.
- Published over 266 contracts in PH-EITI's Contracts Portal.
- Provided PH-EITI collated datasets in open data format through EDGe.
- Assisted in the development of the DBM National Wealth Shares Portal.
- Published 8 Annual Country Reports covering FY 2012 to FY 2020.
- The Philippines has been a member of the EITI Board since 2017.

Building on the accomplishments of PH-EITI MSG and considering the priorities of the Marcos administration and PH-EITI's local and international commitments, PH-EITI aims to achieve the following moving forward.

- Institutionalized transparency and accountability in the extractives through legislation,
- Timely and systematic public disclosure of extractives data,
- Increased transparency in extractives ownership through public disclosure of beneficial owners of extractives companies,
- Extractive industries transparency in the Bangsamoro region,
- Monitoring of small-scale mining production and revenue, and
- Informed public debate and policy recommendations on energy transition and integrity using PH-EITI disclosures.

In the country's recent validation in 2021, the Philippines received a moderate rating overall. However, the EITI Board identified some gaps in civil society participation and recommended corrective actions. Consequently, a targeted assessment of the situation will take place starting in January 2024.⁷

The PH-EITI MSG has been working hard to address the corrective actions issued by the EITI Board since the publication of the Validation outcome in February 2022. They have been conducting regular meetings and technical working group sessions, as well as consulting with stakeholders, to improve the country's EITI implementation. With the targeted assessment approaching, priority was given to the corrective actions related to requirement 1.3. You can find more information on PH-EITI's progress in complying with EITI requirement 1.3 in Chapter III of this report.

⁷ EITI, "The Philippines has achieved a moderate overall score in implementing the 2019 EITI Standard," 17 Feb 2022, <https://eiti.org/board-decision/2022-17>.

II. Legal and Institutional Framework

The First PH-EITI Country report has extensively discussed the legal and institutional framework for the extractive industries, the laws governing State participation in the extractive sector, and the applicable environmental and social standards, including the rights of indigenous peoples. Updates have also been provided in succeeding reports. This Ninth PH-EITI Country Report brings the information up-to-date to 2021.

It is worth noting that the legal framework governing the Philippine extractive industries has remained mostly unchanged since 2012. All significant legislation and fiscal regulations for the extractive industries and the specific country reports in which the relevant issuances were extensively covered can be found in **Annexes I-1A and I-1B**.⁸

An attempt at “economic” cha-cha

The House of Representatives attempted to push for an “economic” cha-cha during the last year of the Duterte administration. However, the 1987 Constitution⁹ remains the fundamental law of the land despite various attempts at changing the constitution.

On 1 June 2021, the Philippine Congress adopted Resolution of Both Houses (RBH) No. 2, seeking to lift the restrictions on the economic provisions of the Constitution.¹⁰ Specifically, proponents of the resolution hope to ease foreign ownership restrictions to stimulate the local economy and ultimately recover from the economic collapse brought about by the COVID-19 pandemic. The amendments seek to insert the phrase “unless otherwise provided by law, ” particularly in “restrictive” economic provisions in the 1987 Constitution. Relevant to the extractive industries was the addition of this phrase to Section 2 of Article XII (National Patrimony and Economy), which contains restrictions on the participation of foreign corporations in the industry.

The amendment read as follows:

“...The State may directly undertake [the exploration, development, and utilization of natural resources], or it may enter into co-production, joint venture, or production-sharing agreements with Filipino citizens, or corporations or associations at least sixty per centum of whose capital is owned by such citizens, UNLESS OTHERWISE PROVIDED BY LAW...”

In the end, the efforts to bring about an “economic” cha-cha during the tenure of former President Duterte fell short as policymakers shifted their attention toward the upcoming 2022 Philippine national elections. As of the time of writing this, RBH No. 2 has been refiled

⁸ The compendia were sourced from PH-EITI’s First to Eight Country Reports.

⁹ Const. (1987), (Phil.), <https://www.officialgazette.gov.ph/constitutions/1987-constitution/>.

¹⁰ Resolution of Both Houses Proposing Amendments to Certain Economic Provisions of the 1987 Constitution of the Republic of the Philippines Particularly on Articles II, XIV & XVI, RBH No. 2, 18th Congress (2021), https://hrep-website.s3.ap-southeast-1.amazonaws.com/legisdocs/first_18/CR00735.pdf; See also Delon Porcalla, “House Approves RBH 2.” *The Philippine Star*, 1 June 2021, www.philstar.com/headlines/2021/06/02/2102480/house-approves-rbh-2.

in the Nineteenth Congress on 6 June 2022, and is currently under review by the Committee on Constitutional Amendments since 7 July 2022.¹¹

Fiscal reform to accelerate economic recovery

On 26 March 2021, former President Duterte signed Republic Act (RA) No. 11534,¹² otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises” (CREATE) Act, into law. The CREATE Act was the second Comprehensive Tax Reform Program package that reduced corporate income taxes (CIT) and provided various tax relief measures to push for accelerated economic recovery from the impacts of the COVID-19 pandemic. CREATE has also taken steps to simplify the country's fiscal incentive system. The updated system considers the industry and location of each business, in line with the country's industrial policy. Longer incentives are available for activities in advanced sectors and underdeveloped regions.

Table I-1. CIT reduction and other pandemic-related tax relief under CREATE relevant to the extractive industries¹³

TYPE OF BUSINESS	PRE-CREATE	CREATE
CIT of Domestic corporations which earn a taxable income above P5M	30%	25%
CIT of Foreign corporations subject to the regular rate (for nonresident foreign corporations: effective January 1, 2021)	30%	25%
Minimum corporate income tax (applicable from July 1, 2020 to June 30, 2023)	2%	1%
Improperly accumulated earnings tax (IAET)	10%	Repealed

Under CREATE, the Fiscal Incentives Review Board (FIRB) has been given expanded powers and functions as part of its oversight mandate. These now include ensuring that the appropriate agencies are responsible for overseeing and granting not just tax subsidies but also tax incentives. Investment promotion agencies provide tax incentives for registered ventures or undertakings with less than PHP 1 billion in investment capital. For those exceeding this amount, eligibility for incentives will be determined by the FIRB.

¹¹ This is according to the House Members' official page of Hon. Velasco, Lord Allan Jay Q., accessed 29 Sept 2023, <https://www.congress.gov.ph/members/search.php?id=velasco-l>.

¹² Corporate Recovery and Tax Incentives for Enterprises (CREATE), Rep. Act No. 11534 (26 March 2021) (Phil.), <https://www.officialgazette.gov.ph/2021/03/26/republic-act-no-11534/>.

¹³ “Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act,” *Department of Finance*, accessed 30 Sept 2023, taxreform.dof.gov.ph/tax-reform-packages/p2-corporate-recovery-and-tax-incentives-for-enterprises-act.

Table I-2. Summary of the Fiscal Incentive Rationalization ¹⁴

PARTICULARS	PRE-CREATE		CREATE	
	Exporters	Domestic market enterprises	Exporters	Domestic market enterprises
Approval of incentives	IPA		IPA or FIRB	
FIRB oversight	None		All	
ITH (non-income national and local taxes are excluded)	4-6 years		4-7 years	
Expansion of activities	2 more years, and 3 years for expanding firms		3-year ITH	
Additional incentives for relocation outside of NCR and in disaster/conflict areas	None		Relocation outside of NCR: additional ITH of 3 years Locating in areas recovering from disaster/conflict: additional ITH of 2 years	
ITH duration	4-6 years		4-7 years	
Option 1: ITH + 5% tax on gross income earned (GIE)				
SCIT/GIE duration	Forever		14-17 years (ITH: up to 7 years, and GIE: 10 years)	Not applicable
Option 2: ITH + enhanced deductions (ED)				
Enhanced deductions duration	None		10 years	15 years
ITH + enhanced deductions duration	None		14-17 years (ITH: up to 7 years, and ED: 10 years)	9-12 years (ITH: up to 7 years, and ED: 5 years)

The duration in which registered projects or activities can take advantage of these tax incentives is based on location and industry tiers. The different location tiers are divided into three groups: (1) the National Capital Region (NCR), (2) metropolitan areas that are close to or touching the NCR, and (3) all other areas. The incentives given to areas outside of the metropolitan areas are offered for a longer period of time. The industry tiers are classified as Tier I, Tier II, and Tier III, providing more extended incentives for projects or activities in the higher tiers. The national industrial strategy outlined in the Strategic Investment Priority Plan (SIPP), as required by CREATE, determines the priority of activities within the industry tier.

¹⁴ "Package 2: Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act."

Under CREATE, the Board of Investments (BOI), an attached agency of the Department of Trade and Industry (DTI), is mandated to formulate the SIPP in coordination with the FIRB, IPAs, and other government agencies administering incentives. The SIPP aims to prioritize specific projects or activities for incentives, with the goal of enhancing the Philippines' global competitiveness through a more focused list.

On 14 April 2021, the FIRB issued Resolution No. 05-21,¹⁵ which adopted the 2020 Investment Promotion Plan¹⁶ (IPP) as the transitional SIPP while the new SIPP is still in development. The resolution states that projects or activities that meet the requirements for incentives under the transitional SIPP will be placed in Tier 1 at the very least and may be upgraded if they also qualify for the newly formulated SIPP.

Table I-3. Preferred Activities for Investment (2020 Investment Priorities Plan)

I. Preferred Activities	
All qualified activities relating to the fight against the Covid-19 pandemic	Mass housing
Investments in activities, subject to the determination by the Board, supportive of programs to generate employment opportunities outside of congested urban areas	Infrastructure and logistics, including PPPs
All qualified manufacturing activities, including agro-processing	Innovation drivers
Agriculture, fishery and forestry	Inclusive business models
Strategic services	Environment- or climate change-related products
Healthcare and disaster risk reduction management services	Energy
II. Export Activities	
Production and manufacture of export products	Activities in support of exporters
Services export	
III. Activities under Special Laws	
Industrial tree plantation	Renewable energy
Mining (limited to capital equipment incentive)	Rehabilitation, self-development and self-reliance of persons with disability

¹⁵ Fiscal Incentives Review Board, FIRB Resolution No. 05-21 (14 April 2021) (Phil.), <https://firb.gov.ph/download/firb-resolution-05-21transitional-sipp/>.

¹⁶ Office of the President, Approving the 2020 Investment Priorities Plan, Memorandum Order No. 50 (18 November 2020) (Phil.), <https://www.officialgazette.gov.ph/downloads/2020/11nov/20201118-MO-50-RRD.pdf>.

Publication or printing of books/textbooks	Tourism
Refining, storage, marketing and distribution of petroleum products	Energy efficiency and conservation

The CREATE Act has been one of the country's most significant stimulus measures in recent history. Its CIT adjustment provides immediate relief to businesses, primarily the micro, small, and medium enterprises (MSMEs) that have been heavily affected by the pandemic. It also brings the country's CIT closer to its ASEAN neighbors, providing foreign investors with an attractive alternative in the region. CREATE's new fiscal incentives system can also help attract more Foreign Direct Investments (FDIs), generate employment opportunities, and expedite the country's economic recovery.

A shift in the Duterte administration's policies on mining

In 2021, there was a shift in the previous anti-mining stance of former President Duterte, who was known for his critical view on mining throughout his term. This development sets the stage for a prosperous future in the mining industry of the Philippines.

In April 2021, Executive Order (EO) No. 130, s. 2021¹⁷ was issued by former President Duterte. This EO modified Section 4 of EO No. 79, s. 2012,¹⁸ which prohibited new mining agreements until the passage of new legislation rationalizing revenue-sharing schemes. EO 130, s. 2021 cites Republic Act No. 10963, better known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law,¹⁹ which increased excise tax rates on minerals, mineral products, and quarry resources effective January 2018.

The lifting of the 9-year moratorium on mineral agreements is expected to revitalize the mining industry, resulting in significant economic impacts. It opened the gates to the Philippines' abundant untapped mineral resources. Before the issuance of the EO, less than 5% of the country's mineral resources had been tapped. Moreover, it marked another attempt by the government to attract more foreign investment and promote an accelerated economic recovery.

According to DENR Spokesperson and Undersecretary for Policy, Planning, and International Affairs Jonas Leones, the government is expected to generate PHP 21 billion in revenues upon implementing the EO. This estimate comes from the potential PHP 20 billion from excise taxes and PHP 1 billion annually for royalties from 100 new mining agreements the agency evaluated at that time. The impact of EO 130 may take time to become apparent, as the process of building a mine, extracting minerals, and generating

¹⁷ Office of the President, Amending Section 4 of the Executive Order No. 79, s. 2012, Institutionalizing and Implementing Reforms in the Philippine Mining Sector, Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources, Executive Order No. 130, s. 2021 (14 April 2021) (Phil.), <https://www.officialgazette.gov.ph/2021/04/14/executive-order-no-130-s-2021/>.

¹⁸ Office of the President, Institutionalizing and Implementing Reforms in the Philippine Mining Sector Providing Policies and Guidelines to Ensure Environmental Protection and Responsible Mining in the Utilization of Mineral Resources Executive Order No. 79, s. 2012.

¹⁹ Tax Reform for Acceleration and Inclusion (TRAIN) Law, Rep. Act No. 10963 (27 December 2017) (Phil.), <https://www.officialgazette.gov.ph/2017/12/27/republic-act-no-10963/>.

revenue typically takes several years. If there is opposition, it could even take up to 10 years or more, according to former DENR Undersecretary Antonio La Viña.²⁰

In support of the premise that reinvigorating the mining industry can help the country achieve economic growth amid the economic downturn caused by the COVID-19 pandemic, the Department of Environment and Natural Resources (DENR) issued Administrative Order (DAO) No. 2021-40²¹ on 23 December 2021. DAO 2021-40 reverses DAO No. 2017-10²² issued on 27 April 2017, which bans the open pit mining method for copper, gold, silver, and complex ores in the country. There is potential for the mining industry to contribute to the economic growth of the country during the current economic downturn caused by the COVID-19 pandemic. The hope is that the mining industry can provide much-needed raw materials to various industries, thereby supporting economic growth. Additionally, the order aims to create job opportunities in rural areas where mining activities occur, which could help stimulate rural development.

The recent lifting of the open-pit mining ban has paved the way for the resumption of large-scale mining projects that were previously put on hold. One such project is Sagittarius Mines, Inc.'s (SMI) Tampakan project, considered one of the largest undeveloped copper-gold minefields not only in Southeast Asia but also in the world. According to projections, the Tampakan mine is expected to produce approximately 375,000 metric tons of copper and 360,000 ounces of gold yearly in concentrate throughout its 17-year lifespan.²³ It is estimated that Tampakan will begin full commercial operations by 2026.²⁴ This is after SMI successfully secured its local business permit in 2023 after facing legal challenges from the host local government unit (LGU) in Tampakan, South Cotabato.²⁵

The lifting of the ban on open pit mining and the moratorium on new mineral agreements marks a new era for the mining industry previously hindered by restrictive domestic policies. It provides the Philippine mining industry with a greater opportunity to contribute to economic development.

²⁰ Carmela Fonbuena, "Lifting of Mining Ban Revives Calls for Better Revenue-Sharing Scheme," *Philippine Center for Investigative Journalism*, 24 Apr 2021, pcij.org/article/6767/lifting-of-mining-ban-revives-calls-for-better-revenue-sharing-scheme.

²¹ Department of Environment and Natural Resources, Lifting the Bank on the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Country under DENR Administrative Order No. 2017-10, and Providing for Additional Enhanced Parameters and Criteria for Surface Mining Methods, DENR Administrative Order 2021-40 (23 December 2021) (Phil.), <https://apidb.denr.gov.ph/infores/uploads/DAO-2021-40.pdf>

²² Department of Environment and Natural Resources, Banning the Open Pit Method of Mining for Copper, Gold, Silver and Complex Ores in the Country, DENR Administrative Order No. 2017-10 (27 April 2017) (Phil.), <https://faolex.fao.org/docs/pdf/phi204827.pdf>

²³ Bong Sarmiento, "Open-Pit Mining Ban Lifted in Philippine Province, Clearing Way for Copper Project," *Mongabay Environmental News*, 19 May 2022, news.mongabay.com/2022/05/open-pit-mining-ban-lifted-in-philippine-province-clearing-way-for-copper-project/#:~:text=In%20December%202021%2C%20officials%20in,was%20overturned%20on%20May%2016.

²⁴ "Philippines' Tampakan Copper-Gold Mine May Begin Operations in 2026," *Reuters*, Thomson Reuters, 4 Aug 2023, www.reuters.com/article/philippines-mining-tampakan-idUSKBN2ZF0KA.

²⁵ Bong Sarmiento, "Long-delayed Tampakan mines may begin operations by Q4," *Inquirer.net*, 3 Aug 2023, <https://business.inquirer.net/413706/long-delayed-tampakan-mines-may-begin-operations-by-q4>.

Civic space response

While the industry welcomed the policy developments in 2021, it has received opposition and criticism from various stakeholders. Some stakeholders doubt that revitalizing the mining industry can actually help the country's economic recovery. Others are concerned that this may result in a higher risk for the environment and for those working to defend it.

As per former DENR Undersecretary Antonio La Viña and former Senior Associate Justice of the Supreme Court Antonio Carpio, the increase in excise tax under the TRAIN Law is insufficient to justify lifting the prohibition on new mining agreements. They call for the passage of a new mining law that provides for a better revenue-sharing scheme and ensures communities receive a fair share of the profits generated from mining activities.²⁶

The IBON Foundation has also raised questions regarding the economic benefits that may be derived from the implementation of EO 130. It claims that the Duterte administration exaggerates the mining industry's potential, given its historically small contribution to the national economy in the past two decades. Moreover, the "reckless exploitation of the country's vast mineral wealth for other countries' corporate gains and industrial benefits" further weakens the expected gains from mining.²⁷

Besides doubts about economic gains, various stakeholders have highlighted the heightened environmental risks and risks to those protecting it. IBON Foundation listed negative issues that have plagued mining activities in more than twenty years of the Mining Act, including damaging ecosystems, displacing communities, encroaching into ancestral lands, and human rights violations.²⁸ As per the Green Livelihoods Alliance (GLA), allowing new mining operations could endanger the already fragile ecological areas in the country, jeopardizing the welfare of the communities that rely on these crucial ecosystems.²⁹

There have also been concerns about the shrinking civic spaces across all sectors in the country, including the extractives sector, stemming from the passing of the Anti-Terrorism Act (ATA) of 2020, officially designated as RA 11479.³⁰ In its shadow report, Bantay Kita notes that numerous civil society organizations (CSOs) active in natural resources governance and EITI issues have felt fear in publicly expressing opinions and positions against the government.³¹ Chapter III of the report expounds on these concerns regarding civic space, particularly in relation to PH-EITI and its multi-stakeholder platform.

²⁶ Fonbuena, "Lifting of Mining Ban Revives Calls for Better Revenue-Sharing Scheme."

²⁷ Xandra Liza Bisenio, "EO 130: Much Fuss about Paltry Gains," *IBON Foundation*, 30 Apr 2021, www.ibon.org/EO-130-much-fuss-about-paltry-gains/.

²⁸ Bisenio, "EO 130: Much Fuss about Paltry Gains."

²⁹ "Green Livelihoods Alliance Condemns Lifting of Ban on New Mining in the Philippines," *NTFP-EP*, 21 Apr 2021, ntfp.org/2021/04/green-livelihoods-alliance-condemns-lifting-of-ban-on-new-mining-in-the-philippines/#0.

³⁰ An Act to Prevent, Prohibit and Penalize Terrorism, Thereby Repealing Republic Act No. 9372, Otherwise Known as the "Human Security Act of 2007," Republic Act No. 11479 (3 July 2020) (Phil.), <https://www.officialgazette.gov.ph/2020/07/03/republic-act-no-11479/>.

³¹ Bantay Kita, "A Rising Tide: Shadow Report on Civic Space in the Philippines," *Bantay Kita*, April 2021, <https://pheiti.dof.gov.ph/resources/>.

III. State of Extractive Industries

It may take several years to realize the newly implemented mining policies' effects fully. However, by looking at the condition of the extractive industries in FY 2021, we can gauge the extractive industries' resilience and promising prospects to become one of the country's key growth drivers.

Industry potential

The Philippines is among the most mineralized countries in the world. According to data from the Mines and Geosciences Bureau (MGB), 30% of the country's total land area (9 million has.) is identified as having high mineral potential. As of June 2022, only 2.54% of the total Philippine land area (763,377.8 has.) is covered by mining tenements.³² Figure I-3 presents a map indicating the country's potential mineral sites and deposits.

According to the Philippine Statistics Authority (PSA), the combined value of nickel, gold, copper, and chromite reserves of Class A³³ reached PHP 378.05 billion by the end of 2021. This marks a 32% increase from the PHP 285.1 billion recorded in 2020, as shown in the PSA's mineral accounts data.³⁴ On the other hand, the nation's reserves of coal, oil, and gas were appraised at PHP 241.99 billion, marking a significant 68.4% surge. The increase in the value of the reserves can be attributed to the higher market prices of these commodities despite a decrease in reserves.³⁵

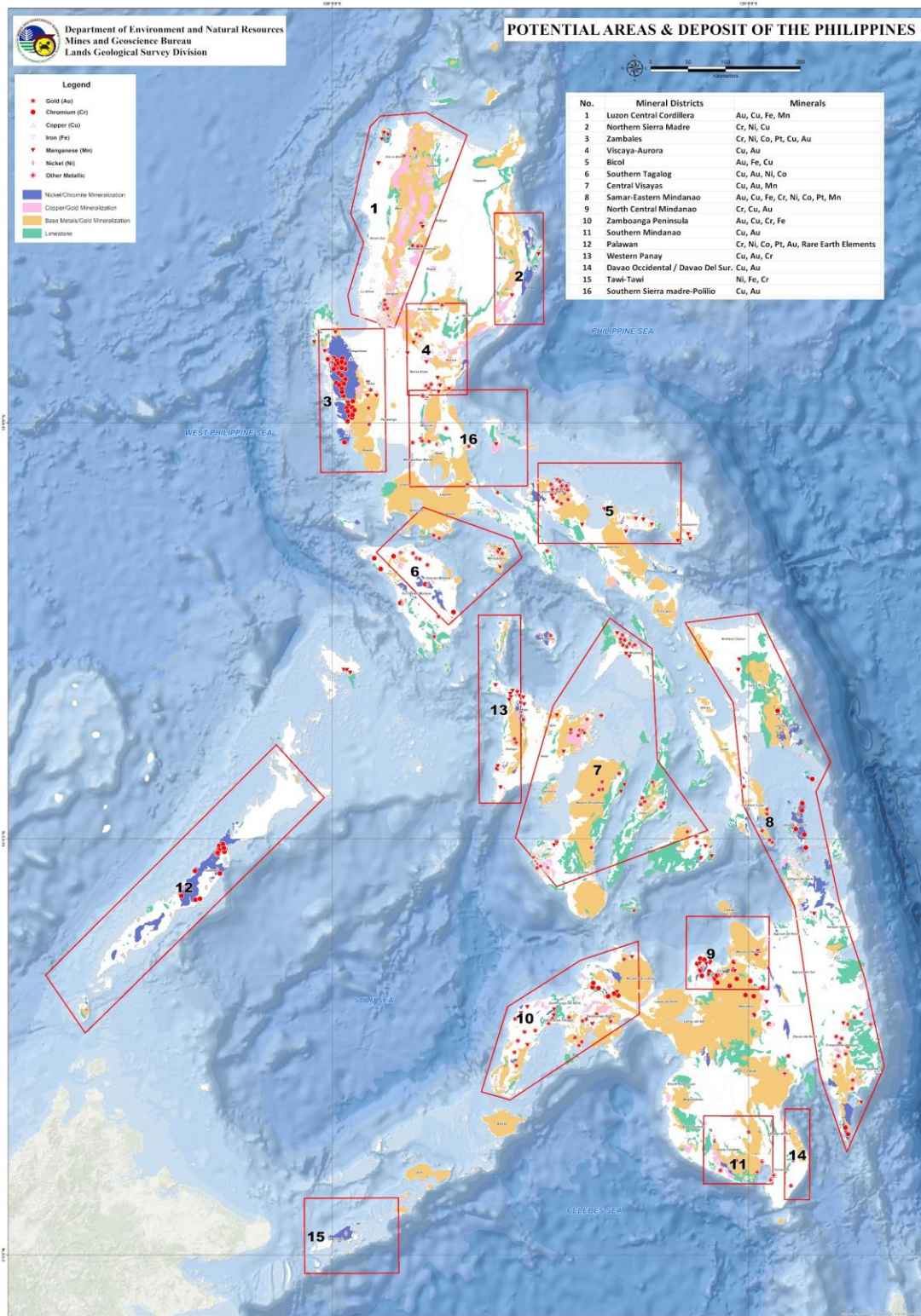
³² Mines and Geosciences Bureau (MGB), "Minerals Industry at a Glance," accessed 18 May 2023, https://mgb.gov.ph/images/Mineral_Statistics/MINERALS-INDUSTRY-AT-A-GLANCE-Updated-02-Aug-2023.pdf.

³³ Mineral resources are classified according to three criteria affecting their likelihood of extraction. Class A are commercially recoverable resources, Class B are potentially commercially recoverable resources, and Class C are non-commercial and other known deposits.

³⁴ Catherine Talavera, "Key mineral reserves jump to P378 billion in 2021," *The Philippine Star*, 5 Jun 2022, <https://www.philstar.com/business/2022/06/05/2186079/key-mineral-reserves-jump-p378-billion-2021>.

³⁵ Ashley Erika Jose, "PHL coal, oil, gas reserves valued at P241 billion in 2021," *BusinessWorld*, 24 Nov 2022, <https://www.bworldonline.com/economy/2022/11/24/489322/phl-coal-oil-gas-reserves-valued-at-p241-billion-in-2021/#:~:text=Condensate%20reserves%20declined%2023.1%25%20to,from%2032.10%20million%20bbl%20previously>.

Figure I-3. Map of potential mineral areas and deposits³⁶



As per the IEA Critical Minerals Market Review, the demand for minerals like lithium, cobalt, nickel, and copper has significantly increased due to the use of clean energy technologies. With more countries pledging to reach net-zero carbon emissions, the market for minerals necessary for the shift to renewable energy is projected to expand rapidly. In response to

³⁶ Mines and Geosciences Bureau (MGB), Response to PH-EITI request: Potential Area and Deposits of the Philippines Map, 18 Sep 2023.

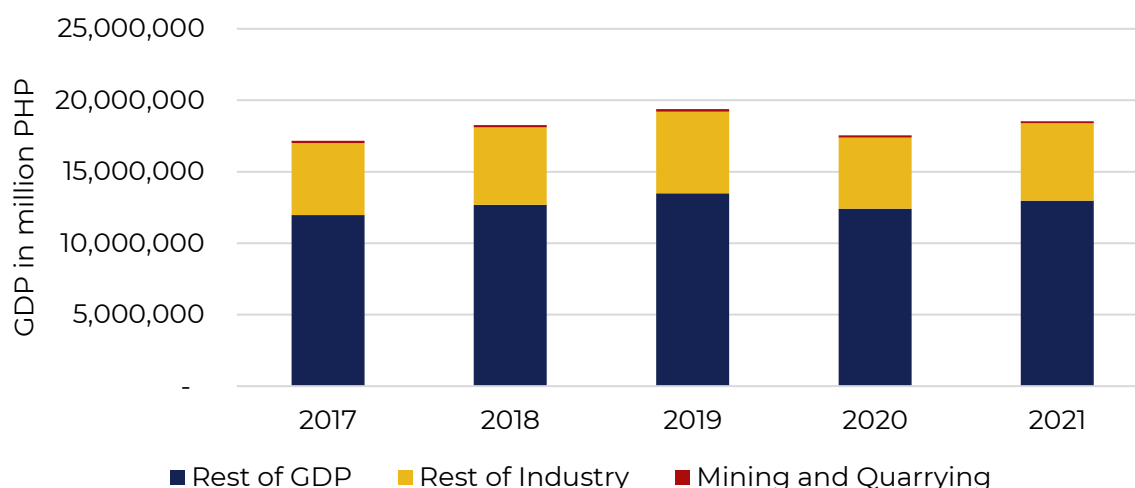
this rising demand, investment in critical mineral development rose by 20% in 2021.³⁷ This presents significant opportunities for the local mining industry, as the Philippines is one of the world's largest nickel producers. The country is also home to the Tampakan mine, one of the world's largest copper mines, set to commence commercial operations in 2026.³⁸

The Extractive Industries in 2021

Cross Domestic Product

Based on the PSA data, the Philippines' Gross Domestic Product (GDP) in 2021 amounted to PHP 18.540 Trillion, showing a significant improvement of 5.71% compared to the 9.52% economic decline recorded in the previous year. Although the country has yet to attain its pre-pandemic economic level, it's undoubtedly on the road to recovery despite the pandemic's lingering effects. The Industry sector makes up a substantial 29% of the economy, with 2.6% of it coming from the extractive industries, in contrast to Agriculture, Forestry and Fishing, and Services.³⁹

Figure I-4. GDP Breakdown (At constant 2018 prices), 2017 to 2021⁴⁰



Against the overall economy, the extractive industries' contribution remains low at 0.78%. Figure I-5 shows that the steady growth of the extractive industries' gross value added (GVA) was cut short in 2020, dropping by 18.6%. Its contribution to GDP also fell from its usual 0.9% level to only 0.8%. However, it is seen to be bouncing back in 2021, increasing its GVA by 5.1%. With the recent policy changes put in place in 2021, as detailed in the previous section, it is to be expected that the extractive industries' recovery will continue at an accelerated pace.

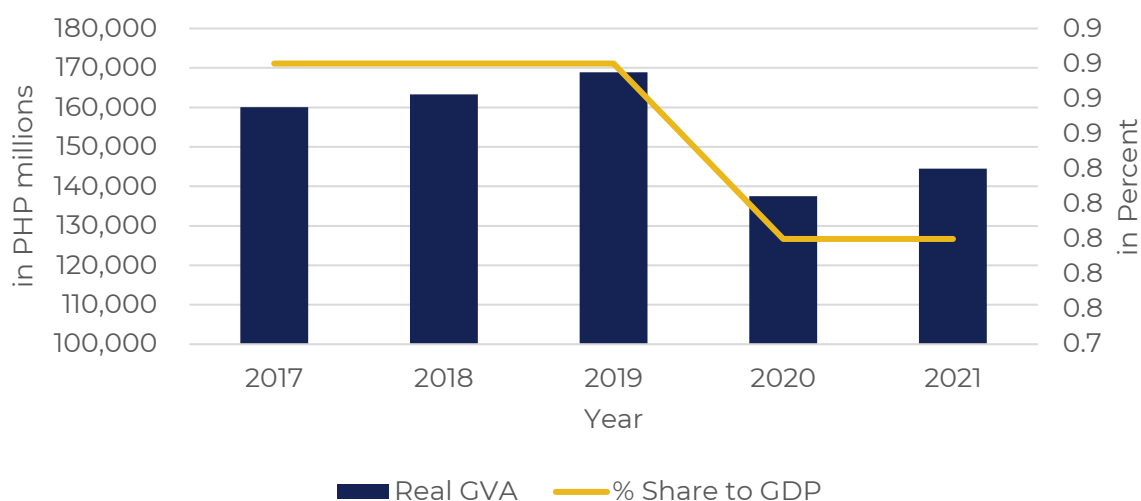
³⁷ IEA, "Critical minerals market sees unprecedented growth as clean energy demand drives strong increase in investment," 11 Jul 2023, <https://www.iea.org/news/critical-minerals-market-sees-unprecedented-growth-as-clean-energy-demand-drives-strong-increase-in-investment>.

³⁸ "Philippines' Tampakan Copper-Gold Mine May Begin Operations in 2026," *Reuters*.

³⁹ According to the 2009 Philippine Standard Industrial Classification (2009 PSIC), the MAQ sector includes solid minerals (coal and ores), liquids (petroleum), and gases (natural gas), as well as supplementary activities aimed at preparing crude materials for marketing.

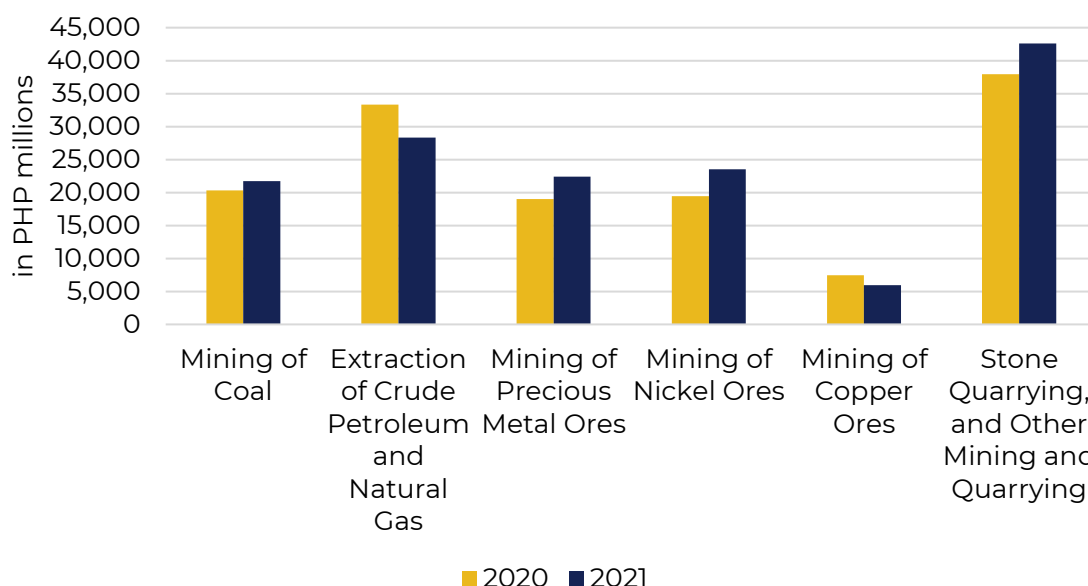
⁴⁰ Philippine Statistics Authority (PSA), "Gross Domestic Product by Industry," *PSA OpenSTAT*, accessed 3 May 2023.

Figure I-5. Mining and Quarrying (MAQ) GDP⁴¹ and Percentage Share to GDP⁴² (At constant 2018 prices), 2017 to 2021



As shown in Figure I-6, the extractive industries' recovery in 2021 was fueled primarily by the increased GVA in mining nickel ores (20.86% increase) and other precious metals (17.66% increase), coal mining (7.03% increase), stone quarrying, and other mining and quarrying activities (12.28% increase). At the same time, the industry's growth was tempered by the decrease in GVA contribution from copper ore mining (20.15% decrease) and the extraction of crude petroleum and natural gas (14.99% decrease).

Figure I-6. Change in Gross Value Added (GVA) Contribution by Activity (At constant 2018 prices), 2020 to 2021⁴³



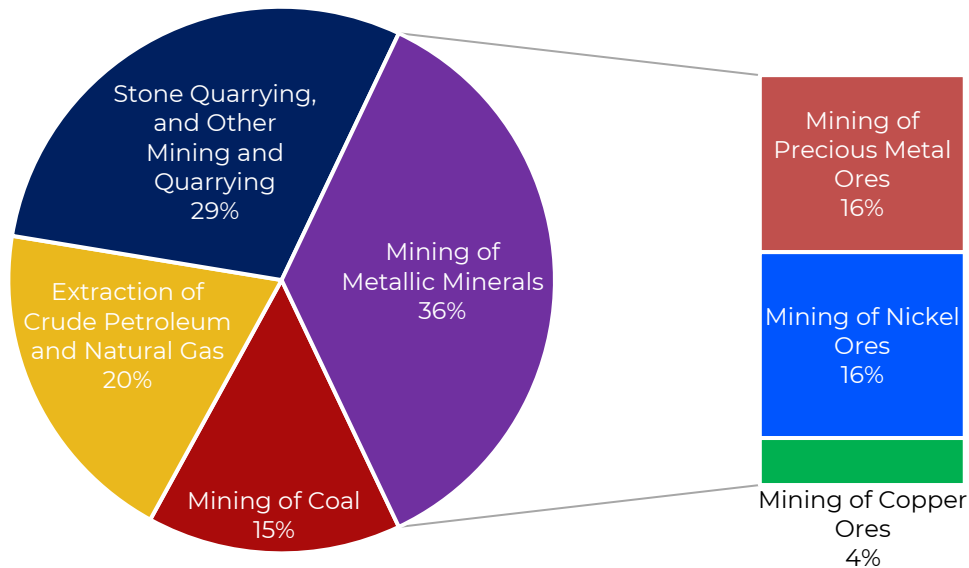
⁴¹ Philippine Statistics Authority (PSA), "Gross Domestic Product by Industry."

⁴² Philippine Statistics Authority (PSA), "Percent Share to GDP," *PSA OpenSTAT*, accessed 3 May 2023.

⁴³ Philippine Statistics Authority (PSA), "Gross Value Added in Mining and Quarrying," *PSA OpenSTAT*, accessed 3 May 2023.

For the year 2021, mining metallic minerals continue to contribute the most to the extractive industries' GVA at 36%. Metallic mining is followed by stone quarrying and other mining and quarrying activities, contributing 29% to the sector's GVA that same year. Crude petroleum and natural gas extraction, and coal mining contributed 20% and 15% to the sector's GVA, respectively.

Figure I-7. Breakdown of mining and quarrying real GVA by activity, 2021⁴⁴

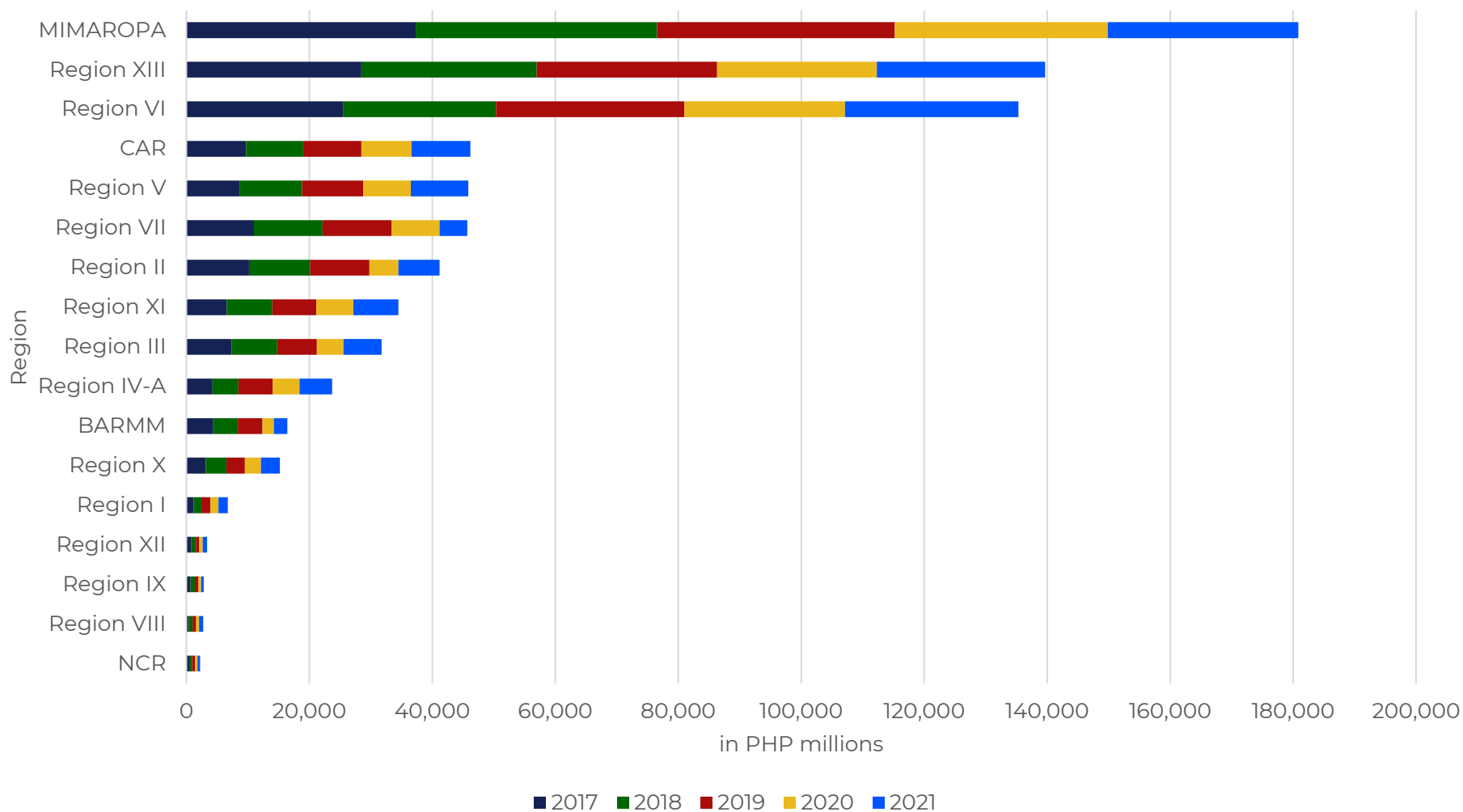


Zooming into the regional contributions to the extractives sector's GVA, it can be seen in Figure I-8 that most of the sector's contribution to the economy comes from MIMAROPA, Region V, Region XIII, CAR, and Region V despite the vast extractive resources found in other regions.

Looking closely at the historical movements of the Top 5 regions contributing to the sector's GVA, Figure I-9 shows Region VI exhibited rapid growth, overtaking Region XIII's GVA contribution in 2019. On the other hand, while MIMAROPA and Region XIII's share in the extractives GVA remains significant, it has been steadily declining.

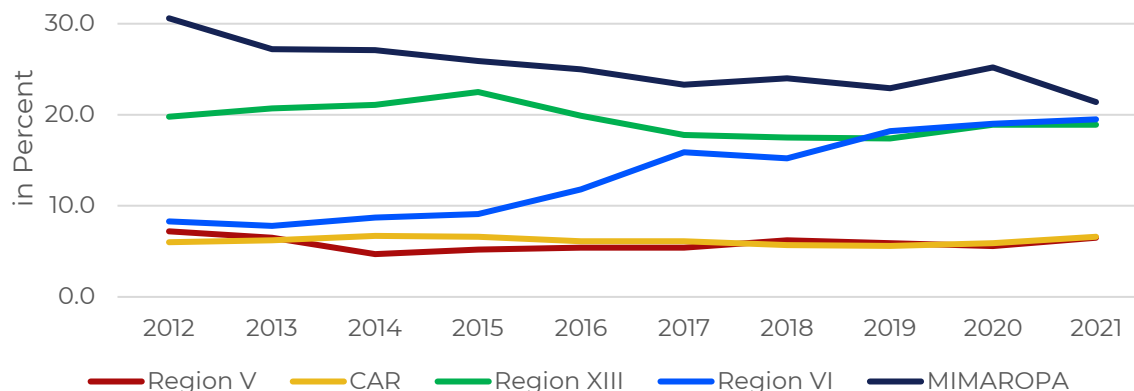
⁴⁴ Philippine Statistics Authority (PSA), "Gross Value Added in Mining and Quarrying."

Figure I-8. Gross Value Added in Mining and Quarrying by Region (at Constant 2018 Prices), 2017 to 2021⁴⁵



⁴⁵ Philippine Statistics Authority (PSA), "Gross Value Added in Mining and Quarrying by Region," *PSA OpenSTAT*, accessed 3 May 2023.

Figure I-9. Percent Share of Gross Value Added in Mining and Quarrying of Top 5 Regions (at Constant 2018 Prices), 2012 to 2021⁴⁶

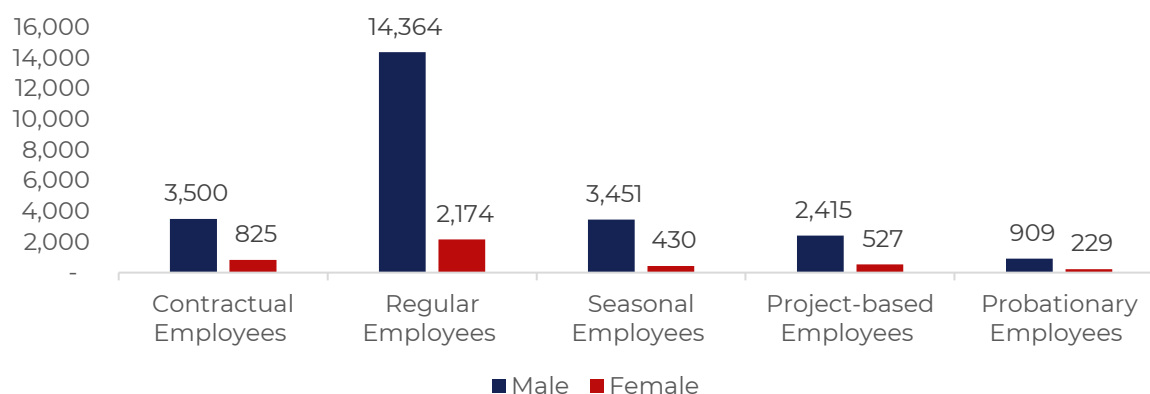


Employment

In 2021, there were 202,000 people employed in the mining and quarrying industry (MAQ), which accounted for 0.49% of the total employed persons. This is a decrease of 16.64% from the previous year's MAQ employment of 242,836 people, which accounted for 0.59% of the total employed persons in 2020.⁴⁷

According to PH-EITI employment data,⁴⁸ EITI-reporting companies employed a total of 29,368 persons in 2021. Of the entire workforce, 56.31% were permanent employees, with the rest employed on a contractual, seasonal, project-based, or probationary basis. As illustrated in Figure I-10, it is worth noting that there is still a significant gender disparity in employment within the extractive industries, with only 14 percent of employees being female.

Figure I-10. Status of employment by gender of PH-EITI reporting companies for FY 2021⁴⁹



⁴⁶ Philippine Statistics Authority (PSA), "Gross Value Added in Mining and Quarrying by Region."

⁴⁷ Philippine Statistics Authority (PSA), "Employment Situation in July 2021," accessed 3 May 2023, <https://www.psa.gov.ph/statistics/labor-force-survey/node/167354>.

⁴⁸ A total of 65 extractive companies submitted validated data to PH-EITI's online reporting in the extractives (ORE) tool.

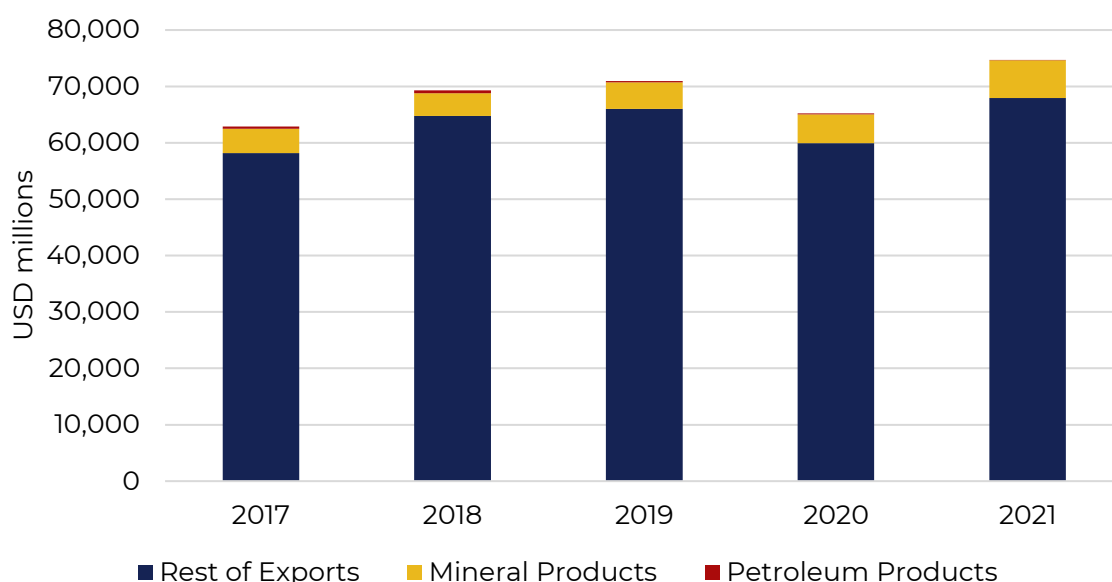
⁴⁹ PH-EITI Online Reporting in the Extractives (ORE), "Report: Employment and Gender," 2021.

Exports

The Philippines' export performance in 2021 showcased a remarkable rebound, reaching USD 74.653 billion, surpassing the pre-pandemic level of USD 70.927 billion in 2019. This resurgence signaled a significant recovery from the previous year's 8.05% decline, which stemmed from the global trade disruption caused by the COVID-19 pandemic.

Notably, while the total export value decreased in 2020, mineral product exports remained resilient, recording an 8.94% increase that same year. This trend for mineral product exports continued upward in 2021, soaring by 31.97%. In contrast, petroleum product exports faced a sharp decline of 96.94% in 2021, following a preceding decrease of 14.63%. This persistent downturn can be largely attributed to the lingering effects of the COVID-19 pandemic, leading to prolonged global restrictions and reduced demand for petroleum products worldwide.

Figure I-11. Philippine Exports Breakdown, 2017 to 2021⁵⁰



The Mining Industry in 2021

Exploration

According to the MGB, there were 44 exploration permits as of the end of last year, nine of which were approved during that year. Given the Table I-4 provides a summary of the new EPs issued in 2021.

⁵⁰ Philippine Statistics Authority, "Philippine Exports by Major Type of Goods: 2018 to 2019," accessed 3 May 2023.

Table I-4. New exploration permits in FY 2021⁵¹

Contractor / Permittee	Tenement No.	Location	Commodity
Philex Mining Corporation	EP-009-2021-CAR	Tuba, Benguet	Gold, Copper, etc
Infiniti Resources Mining and Exploration. Inc.	EP-000023-II	Dinapigue, Isabela	Nickel, chromite, etc.
Lian Ju Mining Corporation	EP-000024-II	Dinapigue, Isabela	Gold, Copper, etc
Kaipara Mining and Development Corporation	EP-000025-II	San Pablo, Cabagan and Tamauni, Isabela	Gold, Copper, etc
Midlevels Mining Corporation	EP-001-2021-III	San Felipe, Zambales	Gold, Copper, etc
Mt. Labo Exploration and Development Corporation	EP-019-2021-V	Labo, Camarines Norte	Gold, copper, iron
Karwin Aggregates, Inc.	EP-000021-VII	Talisay City and Minglanilla, Cebu	Copper, gold, lead, silver, iron, etc.
Joseph P. Saucejo	EP-000002-2021-XI	Pantukan, Davao de Oro	Silica
Kafugan Mining Inc.	EP No. 018-2021-XII	Kiamba, Sarangani	Gold, etc.
Riverhead Resources Mining Corp.	EP No. 019-2021-XII	T'boli, South Cotabato	Gold, copper, lead, zinc, silver

Production

As per the MGB's mining industry statistics, there were a total of 55 operating metallic mineral mines in the country (3 copper, 12 gold, 4 chromite, 32 nickel, and 4 iron) in 2021, an additional five mines from the previous year. The number of processing plants also went up from five to seven (1 copper smelter, 4 gold processing plants, and 2 nickel processing plants).⁵²

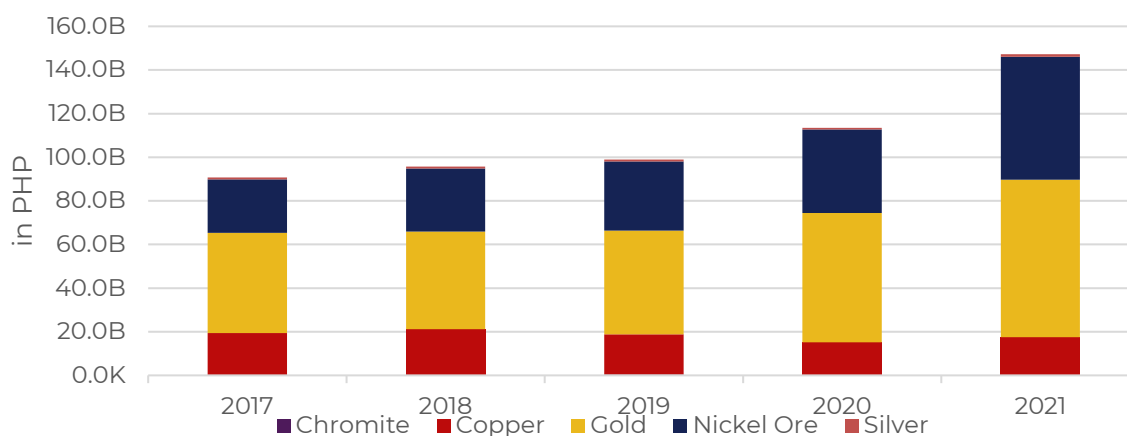
Over the years, the production value of the country's major metallic commodities has steadily increased, reaching PHP 147.2 billion in 2021, as depicted in Figure I-12. Between 2020 and 2021, the production value of most major metallic commodities experienced a

⁵¹ Mines and Geosciences Bureau (MGB), Response to PH-EITI request: Existing and new Exploration Permits FY 2021 and 2022, 18 Sep 2023.

⁵² Mines and Geosciences Bureau (MGB), "Mining Industry Statistics," 1 Jun 2022, <http://databaseportal.mgb.gov.ph/mgb-public/api/attachments/download?key=1JSVCbYsxxwrmrGF9s1bMGMDhm4T4iT7DgrFjUj1Z8Lo1ILCaS1whMKgdaqOKLcYB>.

significant increase except for chromite. Silver showed the most remarkable growth with a 55% increase, followed by nickel ore and gold, which also saw significant increases of 47% and 22%, respectively. Gold remains the top contributor to the country's metallic mineral production, with 49.05% of the total production, followed by nickel ores and copper at 38.21% and 11.75%, respectively.

Figure I-12. Production value of major metallic commodities, 2017 to 2021⁵³



As of 2 February 2022, there were a total of 56 non-metallic mines in operation. These mines are categorized as follows: 28 limestone mines, 4 marble/marbleized limestone mines, 1 pozzolan mine, 10 aggregate mines, 1 dolomite mine, 3 clay mines, 1 sand and gravel mine, 1 volcanic tuff mine, and 7 silica mines.⁵⁴ According to MGB data, there was a 35.87% increase in the overall production value of large non-metallic mines in 2021, reaching PHP 5.551 billion.⁵⁵

As previously mentioned, the ban on new mineral contracts has been lifted in 2021. This marks a significant change in the industry landscape, as several pending mining projects are set to move forward into the development and commercialization stages in the coming years. As a result, we expect a substantial increase in mineral production in the near future, which could potentially lead to a significant boom in the industry.

Exports

In 2021, the Philippines' exports of minerals and mineral products in the Philippines were valued at USD 5.979 billion, comprising 8.05 percent of all exports. This marks a 17.42 percent increase from 2020 when mineral and mineral product exports comprised 7.81 percent of total exports. In addition, non-metallic mineral manufacturers were estimated

⁵³ Mines and Geosciences Bureau (MGB), "Philippines Metallic Mineral Production by Commodity: 2017-2021," accessed 17 Aug 2023, <http://databaseportal.mgb.gov.ph/#/public/documents/MEIPD/Philippines%20Metallic%20Production>.

⁵⁴ Mines and Geosciences Bureau (MGB), Response to PH-EITI request: Directory of Operating Non-Metallic Mines of the Philippines, 18 Sep 2023.

⁵⁵ Mines and Geosciences Bureau (MGB), Response to PH-EITI request: 2021 Non-metallic Mineral Production, 2 Aug 2022.

to contribute to total exports at USD 295 million in 2021, accounting for 0.40 percent of all exports.⁵⁶

Small-scale mining

According to the MGB, there are 48 approved and registered Minahang Bayan for 2021.⁵⁷ These are distributed across various regions with 1 in Region IV-A, 3 in Region V, 1 in Region VI, 2 in Region VIII, 2 in Region IX, 6 in Region X, 12 in Region XI, 6 in Region XII, 5 in Region XIII, and 10 in CAR. Additionally, out of the 48, 40 are for Gold, 6 for Chromite, 1 for Magnesite, and 1 for Silica Quartz. As of 2021, there are still 172 applications under process.⁵⁸

As of 2021, 11 barangays in 8 provinces had a total of 19 active small-scale mining contracts (SSMC). More specifically, there is 1 SSMC in Benguet, 3 in the Quezon Province, 4 in Camarines Norte, 2 in Davao Oriental, 3 in Compostela Valley, 2 in South Cotabato, 3 in Agusan Del Sur, and 1 in Agusan Del Norte.⁵⁹

Table I-5. List of Provinces with Small-scale Mining Contracts (SSMCs)

Location	SSMC
Loacan, Itogon, Benguet	Loacan Itogon Pocket Miners Association (SSMC-01-CAR)
Bulo, Bayog and Cadlit, Buenavista Quezon	La Suerte Mines Multi-Purpose Coop (PSSMC No. 0001-Quezon)
	Grande Multi-Purpose Coop (PSSMC No. 0002-Quezon)
	Villa Mina Multi-purpose Cooperative (SSMC No. 0002)
Casalugan, Paracale, Camarines Norte	Lexington Small Scale Miners Association, Inc.
	Samahan ng mga Minero sa Barangay Casalugan
	Tugos Small Scale Miners Association
	Samahan ng mga Minero sa Paracale Federation
Purok 2, Pintatagan, Banaybanay, Davao Oriental	Pintatagan Small-Scale Mining Producers Cooperative (SSMC-MGBXI-001)
Marayag , Lupon, Davao Oriental	Matigdao Small Scale Miners and Producers Association (SSMC No. 2018-001-XI)

⁵⁶ Mines and Geosciences Bureau (MGB), "Mining Industry Statistics."

⁵⁷ Mines and Geosciences Bureau (MGB), "MGB - Central Database: Minahang Bayan," accessed 29 Sep 2023, <http://databaseportal.mgb.gov.ph/#/public/minahang-bayan>.

⁵⁸ Mines and Geosciences Bureau (MGB), "Mining Industry Statistics."

⁵⁹ Mines and Geosciences Bureau (MGB), Response to PH-EITI request: Small-Scale Mining Contracts 2021-2022, 31 Aug 2023.

Location	SSMC
Purok 15, Sitio Inupuan, Mainit, Nabunturan, Compstela Valley	Nabunturan Integrated Miners Development Cooperative (SSMC-2014-053)
Purok 1-8, Panoraon, Maco, Compstela Valley	Panoraon Small Scale Miners Cooperative (SSMC-2015-029-XI)
	Emmanuel C. Go, Sr. (SSMC-2015-031-XI)
Lam-asam, Desawo, T'boli, South Cotabato	Desawo Integrated Small-Scale Mining Association, Inc. (SSMC No. 002-XII-2019 I)
Kematu, T'boli, South Cotabato	Maguan Clan Small-Scale Miners Association, Inc. (SSMC No. 001-XII-2019)
Masabong, Bayugan 3, Rosario, Agusan Del Sur	Vicencio P. Ocite (SSMC (XIII-ADS) 05-03-17)
	Rosario Manobo Tribal Association (SSMC (XIII-ADS) 05-01-17)
	Lilibeth R. Tion (SSMC (XIII-ADS) 05-02-17)
Pirada, Del Pilar, Cabadbaran, Agusan Del Norte	Del Pilar Small-Scale Mining Association Incorporated (SSMC No. 001-2018-XIII-AND)

The Oil and Gas Industry in 2021

Petroleum Service Contracts

At the end of 2021, there were 18 active Petroleum Service Contracts (PSCs)⁶⁰ in the petroleum industry, which were held by 12 different companies. Among these companies, Philodrill Corporation stood out due to its significant presence in the industry, as it held a total of five PSCs. In contrast, Gas2Grid Ltd's (SC 44) service contract was terminated by the DOE in June 2021 for failing to comply with all the Technical Moratorium requirements without any reference to Force Majeure.⁶¹

Table I-6. Petroleum Service Contract (PSC) Operators as of 2021⁶²

Operator	SC No.	Location
The Philodrill Corporation	6A	Northwest Palawan

⁶⁰ According to the Department of Energy (DOE), SC Nos. 14, 14C1 and 14C2 are treated as one (1) Service Contract, with each block having their own work program commitment.

⁶¹ Gas2Grid Limited, "Annual Report for the year ended 30 June 2021," *Listcorp*, 29 Sep 2021, <https://www.listcorp.com/asx/gqx/gas2grid/news/annual-report-to-shareholders-2599999.html>.

⁶² Department of Energy (DOE), Response to PH-EITI request: FY 2021 Operating Petroleum Service Contracts, 20 May 2022.

Operator	SC No.	Location
	6B	Northwest Palawan
	14	Northwest Palawan
	14C2	Northwest Palawan
	53	Onshore Mindoro
NPG Pty Ltd	14C1	Northwest Palawan
Philippine National Oil Company - Exploration Corporation	37	Cagayan
	57	Northwest Palawan
	59	Southwest Palawan
Forum Exploration, Inc.	40	Northern Cebu (Visayan)
Forum (GSEC 101) Ltd.	72	Recto Bank
Nido Petroleum Pty. Ltd.	54	Northwest Palawan
	58	Northwest Palawan
Shell Philippines Exploration B.V.	38	Northwest Palawan
China International Mining Petroleum Company Limited	49	Southern Cebu (Visayan)
Palawan55 Exploration & Production	55	West Palawan
PXP Energy Corporation	74	Northwest Palawan
	75	Northwest Palawan
Total E&P Philippines BV	56	Sulu Sea Basin
Ratio Petroleum Limited	76	East Palawan

Production

As shown in Table I-7, there has been a gradual decrease in the production of oil, gas, and condensate over the past few years. This decrease can be attributed to various factors, including the significant drop in oil demand caused by the COVID-19 pandemic. However,

it should be noted that the decrease in oil production can be attributed to the continuous decline in the production of the Galoc Oil Field which contributed the majority of oil production. Moreover, the depletion of the Malampaya reserves and the reduction in reservoir pressure have resulted in a decrease in gas and condensate production, which is expected to persist and potentially have an impact on future gas production as the field approaches its end of field life.⁶³ Without any additional new producing petroleum fields, the decline in petroleum production is expected to continue.

Table I-7. Oil and gas production, 2017 to 2021

	2017	2018	2019	2020	2021
Condensate (In MB)	3,913.67	4,075.89	4,006.24	3,493.82	2,936.44
Gas (MMSCF)	138,497.00	150,804.12	155,690.47	141,732.27	121,089.00
Oil (In MB)	1,586.61	1,263.53	776.09	700.12	632.29

Exports

The export of petroleum products from the Philippines experienced a significant drop in 2021. In fact, it went from being worth around USD 192.56 thousand to only USD 5.89 thousand. This may be linked to the gradual decline in petroleum production, as discussed earlier.

Table I-8. Petroleum product exports, 2017 to 2021⁶⁴

In thousands US dollars (FOB)	2017	2018	2019	2020	2021
Total Exports	62,874,635	69,307,426	70,926,982	65,214,516	74,653,212
Petroleum Products	395,621	494,018	225,568	192,559	5,892

The Coal Industry in 2021

Coal Operating Contracts

As listed in Table I-9, there were 26 active Coal Operating Contracts (COCs) including the newly granted COC No. 204 located in Zamboanga Sibugay Province under the Philippine

⁶³ Alena Mae Flores, "Malampaya natural gas output starting to decline – Cusi," *Manila Standard*, 21 Oct 2021, <https://manilastandard.net/business/power-technology/367959/malampaya-natural-gas-output-starting-to-decline-cusi.html>.

⁶⁴ Philippine Statistics Authority, "Philippine Exports by Major Type of Goods: 2018 to 2019," accessed 3 May 2023.

Conventional Energy Contracting Program (PCECP) for Coal⁶⁵ in 2021, indicating ongoing investment and interest in coal exploration. This showcases the evolving energy landscape in the Philippines.

Table I-9. New Coal Operating Contract (COC) Holders as of 2021⁶⁶

Operator	COC No.	Location
Semirara Mining and Power Corporation	5	Semirara Island, Caluya, Antique
Adlaon Energy Development Corporation	9	Argao, Badian, Moalboal and Dalaguete, Cebu
PNOC-Exploration Corporation	41	Diplahan, Malangas, Imelda and Siay, Zamboanga Sibugay
Filipinas (Prefab) Systems, Inc.	68	Bulalacao, Oriental Mindoro
Filipinas (Prefab) Systems, Inc.	78	Diplahan, Payao, Imelda and Alicia, Zamboanga Sibugay
A Blackstone Energy Corp.	93	Imelda and Siay, Zamboanga Sibugay
D. M. Wenceslao and Associates, Inc.	116	Alicia, Gattaran, Amulong, Peñablanca and Iguig, Cagayan Valley
PNOC-Exploration Corporation	122	Cauayan, Naguillan and Benito Soliven, Isabela
D. M. Wenceslao and Associates, Inc.	123	Iguig and Amulong, Cagayan Valley
Lima Coal Development Corporation	125	Batan Island, Rapu-rapu, Albay
Daguma Agro Minerals Inc.	126	South Cotabato & Sultan Kudarat
Samaju Corporation	128	Bilbao, Batan Island, Rapu- Rapu, Albay
Samaju Corporation	129	Bagaobawan, Batan Island, Rapu-Rapu, Albay
Sultan Energy Phil. Corp.	134	Ninoy Aquino, Sultan Kudarat & South Cotabato
Bonanza Energy Resources, Inc.	138	Maitum, Sarangani Province and Ned, Lake Sebu, South Cotabato
Great Wall Mining and Power Corporation	145	Tandag, Tago and San Miguel, Surigao del Sur
Abacus Coal Exploration and Development Corp.	148	Tago, Cagwait, Tandag and Marihatag, Surigao del Sur
Guidance Management Corp.	151	Calatrava, Negros Occidental
Lima Coal Development Corp.	153	Bacon and Gubat, Sorsogon
Titan Mining and Exploration Corp.	159	Manay, Davao Oriental
BBB Mining and Energy Corp.	173	Asturias and Danao City, Cebu
Titan Mining and Exploration Corp.	166	Diplahan-Buug, Zamboanga Sibugay
Blackgem Resources & Energy Inc.	169	Tarragona, Davao Oriental
Dell Equipment and Construction Corp.	170	Sarangani & South Cotabato

⁶⁵ Department of Energy (DOE) Department Circular no. DC2017-09-0010, issued on 13 September 2017.

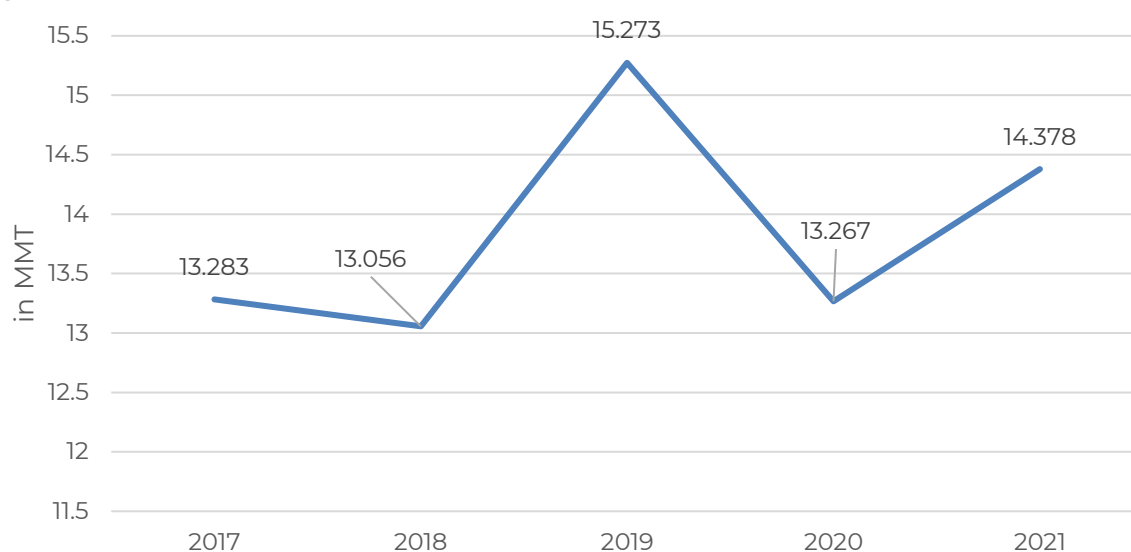
⁶⁶ Department of Energy (DOE), Response to PH-EITI request: FY 2021 Coal Operating Contracts, 20 May 2022.

Operator	COC No.	Location
MEGA Philippines Inc.	188	Lake Sebu, South Cotabato, Palimbag, Sultan Kudarat and Maitum, Sarangani
PNOC-Exploration Corporation	204	Malangas, Zamboanga Sibugay Province

Production

As observed in Figure I-13, coal production in the country experienced fluctuations from 2017 to 2021. The peak production of 15.273 million metric tons (MMT) was recorded in 2019. It is noteworthy that in 2021, there was an 8% recovery in coal production from the previous year's steep decline.

Figure I-13. Coal production (in million metric tons), 2017 to 2021⁶⁷



The largest coal mine in the Philippines, Semirara Mining and Power Corporation (SMPC), has set a new record by producing 14.29 MMT of coal, which represents 99.4% of the country's total coal production. This achievement is SMPC's highest in its 41 years of operation, resulting in a net income of PHP 16.2 billion, a significant increase from its PHP 3.3 billion net income in 2020.⁶⁸

Exports

Table X compares the amount of coal produced in the country to the amount of coal that is exported. It is evident that the majority of the coal produced in the country has been exported to other nations over the years. In 2019, during peak production, 67% of the total coal produced was exported. In 2021, the country exported 9.333 million metric tons of coal, which accounted for 65% of the total coal produced that year.

⁶⁷ Department of Energy (DOE), "Overall Coal Statistics as of 2021," accessed 18 Sep 2023, <https://www.doe.gov.ph/energy-resources/coal-statistics?q=energy-resources/overall-coal-statistics>.

⁶⁸ Danessa Rivera, "Semirara earnings reach record P16.2 billion in 2021," *The Philippine Star*, 1 Mar 2022, <https://www.philstar.com/business/2022/03/01/2163997/semirara-earnings-reach-record-p162-billion-2021>.

Table I-10. Coal production and exports, 2017 to 2021⁶⁹

In Million Metric Tons	2017	2018	2019	2020	2021
Coal Production	13.283	13.056	15.273	13.267	14.378
Coal Exports	5.939	5.054	10.243	7.275	9.333
% Exports to Production	45%	39%	67%	55%	65%

Regaining ground in the extractive industries

The extractive industries of the Philippines have shown remarkable resilience and potential in the fiscal year 2021 amidst the ongoing impact of the COVID-19 pandemic. Particularly, the mining industry showed a promising economic performance, marked by increased production and export values. Moreover, the nation's abundant mineral resources position the Philippine mineral industry favorably, with the surging global demand for essential minerals presenting significant growth opportunities.

Former Assistant Secretary (ASec.) Ma. Teresa Habitan, who previously served as an alternate chair of the PH-EITI, also expressed optimism about the untapped potential within the mining industry. She highlighted the convergence of favorable government legislation, opportune shifts in the global economy, and the conducive environment, hinting at the possibility of not only recovering recent losses but also surpassing pre-pandemic growth levels post-pandemic.⁷⁰

The oil, gas, and coal industries have been greatly affected by the COVID-19 pandemic, leading to a constant decrease or fluctuation in production and exports due to the significant drop in global and local energy demand as people stayed at home. Although global energy demand has returned to pre-pandemic levels since 2021 due to the easing of lockdown restrictions and the acceleration of vaccination rollouts worldwide,⁷¹ the situation in the Philippines was different. Two waves of COVID-19 hit the country, resulting in prolonged lockdowns throughout most of 2021. Moreover, concerns arose regarding the sluggish pace of the vaccination campaign during that year.⁷² However, it is expected that the Philippines will eventually be able to ease restrictions completely, which will hopefully lead to a full recovery of the losses incurred by the oil, gas, and coal industries during the pandemic.

⁶⁹ Department of Energy (DOE), "Overall Coal Statistics as of 2021."

⁷⁰ Joann Villanueva, "Mining sector recovery seen on resurgence of demand," *Philippine News Agency*, 30 July 2021, <https://www.pna.gov.ph/articles/1148797>.

⁷¹ Lucia Fernandez, "Coronavirus: impact on the global energy industry - Statistics & Facts," *Statista*, 16 Aug 2023, <https://www.statista.com/topics/6254/coronavirus-covid-19-impact-on-the-energy-industry/#topicOverview>.

⁷² Michelle Abad, "Pandemic in 2021: How the Philippines responded to COVID-19," *Rappler*, 15 Dec 2021, <https://www.rappler.com/newsbreak/ig/list-review-2021-covid-19-pandemic-philippines/>.

The extractive industries of the Philippines have shown varied levels of resilience and potential amidst the ongoing impact of the COVID-19 pandemic. While the mining sector thrived, the oil, gas, and coal industries encountered challenges. Nevertheless, the country's ample natural resources, coupled with favorable government policies, global economic shifts, and conducive environmental conditions, offer substantial growth opportunities for these industries in the post-pandemic era.

IV. Beneficial Ownership

All corporations that are registered with the Securities and Exchange Commission (SEC) are required to declare their beneficial ownership (BO) information in their General Information Sheet (GIS). As per SEC Memorandum Circular (MC) No. 1, Series of 2021, a "beneficial owner" refers to a natural person(s) who ultimately own, control, or exercise ultimate effective control over the corporation.⁷³

The SEC mandates BO disclosure to ensure that corporations operate only for legal purposes and to prevent illegal activities like money laundering and terrorist financing. This disclosure also helps the Philippines comply with global standards on anti-money laundering and countering the financing of terrorism (AML/CFT). In addition, BO disclosure helps to ensure that the Philippines is not considered a high-risk jurisdiction, which could result in countermeasures that could harm its economy and the welfare of Overseas Filipino Workers (OFWs).⁷⁴

The SEC has identified nine categories of beneficial ownership arrangements:⁷⁵

- A. Owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the reporting corporation's voting rights, voting shares, or capital.
- B. Exercising control over the reporting corporation, alone or with others, through any contract, understanding, relationship, intermediary, or tiered entity.
- C. Having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
- D. Having the ability to exert a dominant influence over the management or policies of the corporation.
- E. The directions, instructions, or wishes in conducting the corporation's affairs are carried out by the majority of the board of directors members of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions, or wishes.
- F. Acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
- G. Actually owning or controlling the reporting corporation through nominee shareholders or directors acting for or on behalf of such natural persons.
- H. Owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the previous categories.
- I. Exercising control through positions held within a corporation.

As per requirement 2.5 of the EITI Standard, countries implementing EITI must disclose the beneficial ownership information of extractive companies by 2020. However, access to the collected BO data by the SEC from SEC-registered corporations is limited to law

⁷³ "Frequently Asked Questions (FAQs) on Beneficial Ownership," *Securities and Exchange Commission*, 17 September 2021, <https://www.sec.gov.ph/notices/frequently-asked-questions-faqs-on-beneficial-ownership/#>.

⁷⁴ "Frequently Asked Questions (FAQs) on Beneficial Ownership," *Securities and Exchange Commission*.

⁷⁵ "Frequently Asked Questions (FAQs) on Beneficial Ownership," *Securities and Exchange Commission*.

enforcement agencies and competent authorities.⁷⁶ To comply with the EITI Standard, PH-EITI directly engaged with PH-EITI reporting companies regarding BO disclosure. In 2021, PH-EITI published its own extractives BO register, which contains the BO information of reporting companies, including politically exposed persons (PEPs), that voluntarily consented to the public disclosure of its BO information. The PH-EITI defines PEPs as persons “holding or having held an elective or appointive position in government, either at the national or local level.”⁷⁷ The PH-EITI BO Registry is accessible via <https://pheiti.dof.gov.ph/boregistry/>.

Participation in the PH-EITI FY 2021 BO Reporting

Unless otherwise specified, all information presented in this section is based on the PH-EITI BO reporting by participating companies for FY 2021.

As of November 2023, 42 out of the 67 companies that participated in the FY 2021 PH-EITI reporting have disclosed their beneficial ownership (BO) information, either partially or in full.⁷⁸ Additionally, two extractive companies disclosed their BO information despite being unable to participate in the FY 2021 PH-EITI reporting, which brings the total to 44 companies participating in the BO reporting, whether partially or in full. Table I-11 shows the level of participation of the FY 2021 PH-EITI reporting companies and BO reporting companies. All BO data reported by reporting companies that fully participated in the FY 2021 PH-EITI BO reporting will be available in the PH-EITI BO Registry.

Table I-11. PH-EITI reporting companies and their level of beneficial ownership participation, 2021

PARTICIPATED (32 companies)	PARTIALLY PARTICIPATED (12 companies)	DID NOT PARTICIPATE (27 companies)
Adnama Mining Resources, Inc.	Cagdianao Mining Corporation	AAM-Phil Natural Resources Exploration and Development Corporation (Parcel 1)
Agata Mining Ventures, Inc.	Citinickel Mines and Development Corporation	Apex Mining Co., Inc.
Austral-Asia Link Mining (New name: Hallmark Mining Corporation)	Concrete Aggregates Corporation	Apo Land and Quarry Corporation
Carrascal Nickel Corporation	Dinapigue Mining Corp.	B.L. Gozon & Co. Inc.
Century Peak Corporation	Heirs of Elias E. Olegario	Benguet Corporation
Dolomite Mining Corporation	Hinatuan Mining Corporation	BenguetCorp Nickel Mines, Inc.
Eagle Cement Corporation	Krominco, Inc.	Berong Nickel Corporation
Hall Mark Mining	Oriental Vision Mining	Carmen Copper Corporation

⁷⁶ Joseph Emmanuel Angeles, *PH-EITI Study Re: Beneficial Ownership/Politically Exposed Persons* (PH-EITI, 2017), accessed 9 June 2023, <https://pheiti.dof.gov.ph/resources/>.

⁷⁷ “Beneficial Ownership Registry - PH-EITI,” *PH-EITI*, accessed 9 June 2023, <https://pheiti.dof.gov.ph/boregistry/>.

⁷⁸ In general, those that partially participated are those that disclosed their BOD to PH-EITI but did not consent to publication or did not have complete supporting documents (e.g., no or pending waiver of Board resolution).

PARTICIPATED (32 companies)	PARTIALLY PARTICIPATED (12 companies)	DID NOT PARTICIPATE (27 companies)
Corporation	Philippines Corporation	
Holcim Mining and Development Corporation (HDMC)	Pacific Nickel Philippines, Inc	CTP Construction and Mining Corporation
Holcim Resources and Development Corporation (HRDC)	Platinum Group Metals Corporation	Eramen Minerals, Inc.
JLR Construction and Aggregates, Inc.	Taganito Mining Corporation	FCF Minerals Corporation
Johson Gold Mining Corp.	Wellex Mining Corporation	Filminera Resources Corporation
Lazi Bay Resources Development, Inc.		Greenstone Resources Corporation
Lepanto Consolidated Mining Co.		Hardrock Aggregates, Inc.
Libjo Mining Corporation		Ibalong Resources and Development Corporation
LNL Archipelago Minerals, Inc.		Island Quarry and Aggregates Corporation
Marcventures Mining and Development Corporation		Itogon Suyoc Resources, Inc.
Montalban Millex Aggregates Corporation		Northern Cement Corporation
OceanaGold (Philippines), Inc.		NPG Pty Ltd
Philex Mining Corporation		Prime Energy Resources Development B.V. (formerly Shell Philippines Exploration B.V.)
Philsaga Mining Corporation		Rapid City Realty and Development Corporation
Republic Cement & Building Materials, Inc. (Formerly Lafarge Republic, Inc.)		Republic Cement Iligan, Inc.
Republic Cement Land & Resources		Rio Tuba Nickel Mining Corporation
Republic Cement Mindanao, Inc. (Formerly Lafarge Mindanao Inc.)		Rolando B. Gimeno and La Concepcion Construction and Development Corporation
Shangfil Mining and Trading Corporation		SR Metals, Inc.
Sinosteel Phils. H. Y. Mining Corporation		Strong Built (Mining) Development Corporation
Solid Earth Development Corp.		

PARTICIPATED (32 companies)	PARTIALLY PARTICIPATED (12 companies)	DID NOT PARTICIPATE (27 companies)
Techiron Resources, Inc.		
Tribal Mining Corporation		
TVI Resource Development Philippines, Inc.		
Westernshore Nickel Corporation		
Zambales Diversified Metals Corporation		

In the first three years of PH-EITI's BO reporting, the participation rate increased from 44% to 46%.⁷⁹ For this year's BO reporting covering FY 2021, 46% of companies fully participated, while approximately 17% partially participated. It's important to note that only metallic and non-metallic mining sectors provided BO reporting to PH-EITI.

Although two oil and gas companies participated in the reporting, they could not submit the BO declaration form containing BO data by the deadline. However, they were able to provide all the other supporting documents required before the deadline. Additionally, six other extractive companies, marked as non-participating in BO reporting, consented to PH-EITI disclosing their BO data but missed the submission deadline as well.

It should be noted that the PH-EITI reporting cycle for FY 2021 coincided with two significant events that could have adversely affected communications between participating companies and the PH-EITI, namely the COVID-19 pandemic and the PH-EITI withdrawal announcement in June 2022. The Philippines officially rejoined the EITI in September 2022.⁸⁰ Still, it is recommended that a review of the BO reporting process of PH-EITI be conducted.

Analysis of disclosed BO data by fully participating companies

All data in this section are sourced from the PH-EITI FY 2021 BO data of fully participating companies in BO reporting unless otherwise indicated. These data are available in the PH-EITI BO Registry, accessible via <https://pheiti.dof.gov.ph/boregistry/>.

During the FY 2021 BO reporting of the Philippine Extractive Industries Transparency Initiative (PH-EITI), 32 companies participated fully and identified 40 entities as their beneficial owners. None of the 32 companies declared having any PEP beneficial owners.

One of the beneficial owners identified was Century Peak Holdings Corporation, with 100% ownership rights to Century Peak Corporation. This BO declaration contradicts the definition of a beneficial owner as provided by the Securities and Exchange Commission

⁷⁹ Sourced from PH-EITI's 6th to 8th Country Reports.

⁸⁰ Philippine Daily Inquirer, "PH rejoins mining transparency campaign," *Inquirer.net*, 10 September 2022, <https://business.inquirer.net/361688/ph-rejoins-mining-transparency-campaign>.

(SEC), which requires the beneficial owner to be a natural person or persons. It is to be determined whether the SEC's beneficial owner records for Century Peak Corporation match those submitted to PH-EITI since the PH-EITI BO data is based on voluntary reporting company submissions. It is recommended that a data-sharing agreement be established with the SEC to ensure that PH-EITI's beneficial ownership data aligns with the SEC's records.

As shown in Table I-12, five of the 40 declared beneficial owners are each linked to two different extractive companies.

Three beneficial owners identified in Table I-12 hold considerable ownership or voting rights over the companies they beneficially own.

Imelda Tan Uy is the declared category A beneficial owner of Austral-Asia Link Mining Corporation (AALMC) and Hallmark Mining Corporation (HMC). She holds approximately 30% ownership over each company. AALMC and HMC are managed by Asiaticus Management Corporation (AMCOR), a registered company with the SEC. AMCOR is also a part of the Triplex Group of Companies, a diversified group that is involved in manufacturing, paper converting and trading, stock brokerage, real estate, and mining.⁸¹

Carrascal Nickel Corporation (Carrascal) and Westernshore Nickel Corporation (Westernshore) have the same declared beneficial owner, Antonio Lim Co. However, his BO category differs between the two companies. In Carrascal, he is considered a category I beneficial owner, as he is the president of Carrascal with approximately 21% ownership or voting rights. On the other hand, in Westernshore, he is considered a category A beneficial owner with 77% ownership or voting rights over the company. There are no clear links between Carrascal and Westernshore besides sharing the same beneficial owner.

Manuel Paolo Aguilar Villar is the declared category A beneficial owner of Agata Mining Ventures, Inc. (AMVI) and TVI Resource Development Phils., Inc. (TVIRD). He holds around 44% and 67% of the voting rights of AMVI and TVIRD, respectively. These two companies have a close relationship, with TVIRD holding 60% ownership over AMVI.⁸² While Mr. Villar is not considered a PEP by PH-EITI's definition, it is worth noting that he is the eldest son of former Senator Manuel Bamba Villar and incumbent Senator Cynthia Aguilar Villar. He is also the brother of incumbent Senator Mark Aguilar Villar.

Holcim Mining and Development Corporation (HMDC) and Holcim Resources and Development Corporation (HRDC) have declared their president and general manager, Renato A. Baja, their beneficial owner. Similarly, Republic Cement & Building Materials, Inc. (RCBMI) and Republic Cement Mindanao, Inc. (RCMI) have declared their president, Lloyd A. Vicente, their beneficial owner. Both Baja and Vicente exercise control over their beneficially owned companies through their positions in the company but hold little to no ownership or voting rights over these companies. It is also important to note that besides sharing the same beneficial owners, these companies also belong to the same group of

⁸¹ "Who We Are | Hallmark Mining Corporation," *Hallmark Mining Corporation*, accessed 22 December 2023, <https://www.hallmarkminingdevelopment.com/who-we-are>.

⁸² "Agata Nickel | TVI Resource Development (Phils.) Inc.," *TVI Resource Development (Phils.) Inc.*, accessed 22 December 2023, <https://tvird.com.ph/agata-nickel/>.

companies, namely Holcim Philippines and Republic Cement, both of which are registered with the SEC and should have disclosed BO information to the commission.

Table I-12. Reporting companies that declared the same beneficial owners

Company	Beneficial Owner	Category	% of Ownership or Voting Rights
Metallic Mining			
Austral-Asia Link Mining Corporation	Uy, Imelda Tan	A	29.01%
Hallmark Mining Corporation		A	29.99%
Carrascal Nickel Corporation	Co, Antonio Lim	I	21.15%
Westernshore Nickel Corporation		A	77.00%
Agata Mining Ventures, Inc.	Villar, Manuel Paolo Aguilar	A	44.26%
TVI Resource Development Phils., Inc.		A	67.45%
Non-Metallic Mining			
Holcim Mining and Development Corporation (HMDC)	Baja, Renato A.	I	< 1.00%
Holcim Resources and Development Corporation (HRDC)		I	< 1.00%
Republic Cement & Building Materials, Inc. (Formerly Lafarge Republic, Inc.)	Vicente, Lloyd A.	I	N/A
Republic Cement Mindanao, Inc. (Formerly Lafarge Mindanao Inc.)		I	N/A

Table I-13 presents the number of declared beneficial owners according to their respective categories. The highest number of beneficial owners falls under category I, representing 35% of the total. It is important to note that the majority of category I beneficial owners hold less than 1% ownership or voting rights in their respective companies, with the exception of Carrascal's category I beneficial owner (refer to the previous table for details). 30% of the

declared beneficial owners fall under category A. On average, category A beneficial owners hold more than 50% ownership or voting rights in their respective companies.

Table I-13. Category and number of declared beneficial owners

Beneficial Ownership Category	Number of Beneficial Owners
A	12
A, B, C	1
A, C, D, G	1
B	1
C	2
C, D	1
C, D, E, F	1
C, F	1
D	2
D, E	1
F, G, H	1
I	14
I, E, H	1
Not Indicated	2
Total	40

Improving BO disclosure in the PH-EITI

The global push for BO transparency has been gaining momentum, urging countries like the Philippines to implement comprehensive BO disclosure frameworks. In a Webinar on BO Transparency last 25 April 2023, former PH-EITI National Coordinator Atty. Manuel Rodriguez III even highlighted the transformative potential of readily available BO data to prevent governance interference, enforce sanctions, and combat corruption. Effectively implementing BO transparency can also bolster domestic resource mobilization, fortify tax governance, and diminish corruption risks in tax administration and public expenditure.⁸³ While the Securities and Exchange Commission (SEC) in the Philippines has initiated BO disclosure, the lack of public accessibility to this collected information hinders transparency efforts.

To meet the standards set by the Extractive Industries Transparency Initiative (EITI), the PH-EITI has launched its own BO Registry. However, the voluntary nature of reporting and publishing BO information under PH-EITI poses challenges in properly implementing BO transparency, especially exacerbated by external factors like the COVID-19 pandemic and the country's temporary withdrawal from EITI, disrupting PH-EITI communications with reporting companies. Although there's been a notable increase in participation in recent years, demonstrating a growing commitment to transparency, there remains a critical need to enhance reporting procedures. Improving reporting procedures is essential to

⁸³ Manuel Rodriguez III, "Opportunities for Mainstreaming Beneficial Ownership Transparency (BOT) and the Implications for Domestic Resource Mobilization (DRM)," (Presentation for Webinar on Beneficial Ownership Transparency via Zoom on 25 April 2023).

ensuring that all participating companies provide timely and comprehensive disclosures. A comprehensive review of the BO reporting mechanism within PH-EITI is imperative to enhance future reporting cycles and foster greater BO transparency within the extractive industries.

The analysis of PH-EITI's FY 2021 BO data from fully participating companies has also uncovered significant insights into the BO disclosure process. Notably, it revealed inconsistencies, such as certain companies failing to align with the SEC's definition of natural persons as beneficial owners. Additionally, a concerning trend emerged where most companies declare beneficial owners despite their lack of substantial ownership stakes. These findings underscore the urgent need to enhance the quality, accuracy, and transparency of BO disclosures.

Moreover, the lack of data collaboration between PH-EITI and the SEC, despite reporting companies providing the same data to both entities, highlights the necessity for a data-sharing agreement. Collaborative efforts can synchronize beneficial ownership data, streamline reporting processes for companies, and lessen discrepancies. A united approach is vital to align BO reporting standards and practices within the Philippines, ultimately enhancing BO transparency.