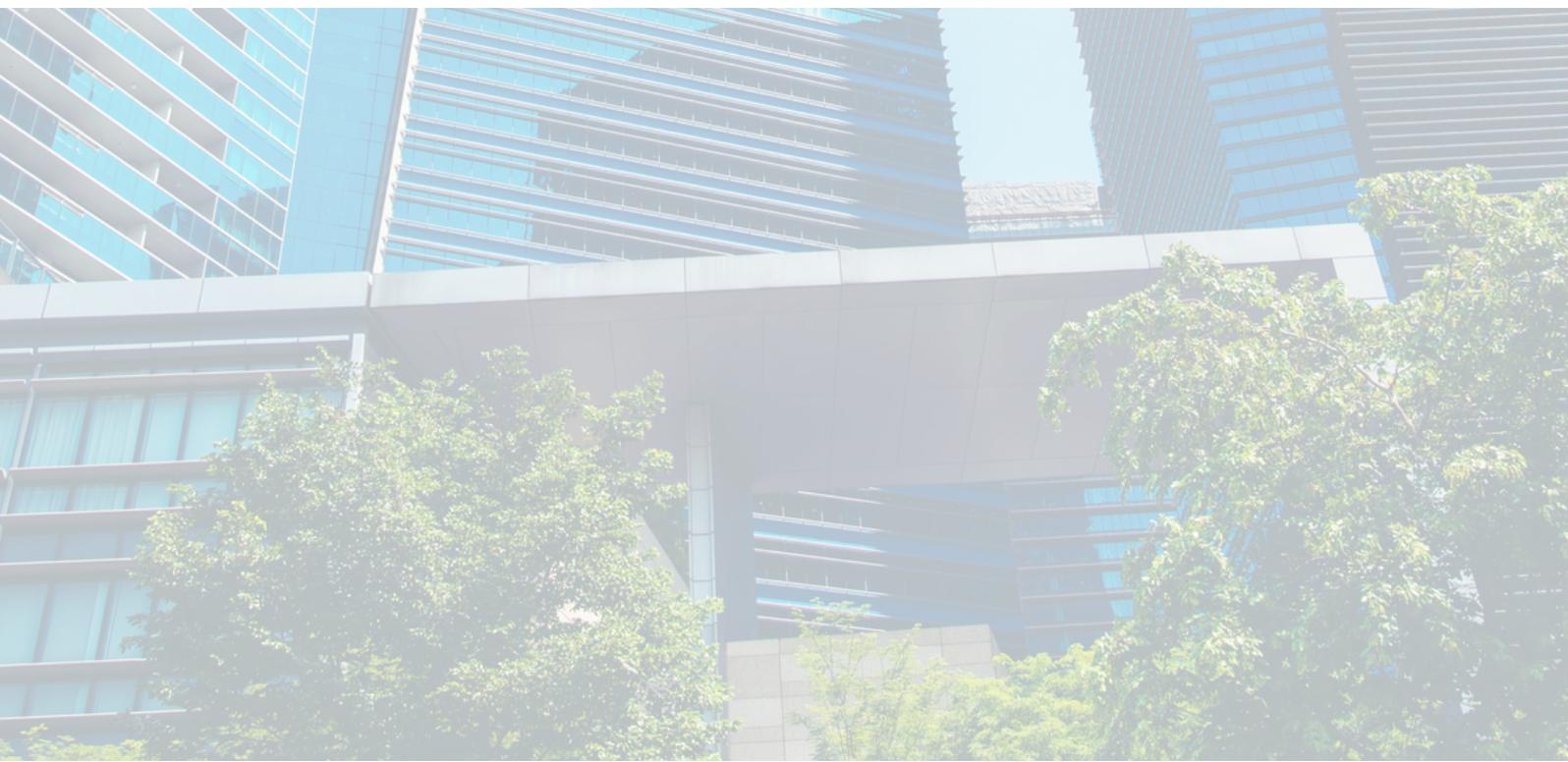




**CLEAN ENERGY**  
INVESTMENT  
ACCELERATOR

# **A Policy Innovation to Expand Corporate Renewable Energy Procurement: Green Lease Opportunities in the Philippines**





## About the Clean Energy Investment Accelerator (CEIA)

The [CEIA](#) is a public-private partnership that addresses barriers to clean energy deployment in the commercial and industrial sectors in emerging markets including Vietnam, Indonesia, and the Philippines. The CEIA is jointly led by the [World Resources Institute \(WRI\)](#), [Allotrope Partners](#), and the [U.S. National Renewable Energy Laboratory \(NREL\)](#). Each member brings a unique set of technical expertise to ensure successful country-based efforts, led by local and regional staff and supported by a wider global team.

CEIA partners with large energy purchasers to send a strong demand signal and deploy clean energy and collaborates with governments to strengthen policy frameworks, to grow clean energy project pipelines.

CEIA acts as a bridge, translating international clean energy commitments into on-the-ground market transformation. As demonstrated here, high-level commitment platforms, target-setting protocols, reporting methodologies, and business coalitions can benefit from CEIA's local presence and expertise, as CEIA brings together in-country coalitions of private sector, public sector, and utility partners to overcome barriers to clean energy procurement and investment among C&I energy users.





## Executive Summary

As global companies continue their pursuit of meeting sustainability and net-zero goals, decarbonizing their in-country offices as well as their value chain remain a top priority. One pathway to achieve this feat is transitioning to 100% renewable energy (RE). The Clean Energy Investment Accelerator's (CEIA) continuous engagement with Philippine-based corporates shows that direct RE procurement is an integral step in meeting science-based and RE targets that are being mandated by their respective international headquarters.

However, due to some limitations in the country's existing regulatory framework, corporates and their value chain are unable to fully enjoy the current retail activities that have been set in support of the Philippines' clean energy transition. This is especially rampant among corporates that are only leasing the offices and facilities that they are operating in. This white paper provides insights on a policy innovation called green leases that could help expand the options of corporates in terms of direct RE procurement. This document highlights several salient features of green leases and how this could be further explored and implemented to fit the local context and to be able to help address the current barriers being faced by market participants in directly procuring RE. This white paper also discusses the opportunities for landlords and facility managers and how green leases can positively impact their businesses. This document seeks to amplify the feedback that CEIA has gathered through various engagements to increase

awareness on green leases and contribute to the decision-making of this white paper's intended audience which is mainly the policymakers and other relevant energy stakeholders, especially the Retail Electricity Suppliers, Philippine-based corporates, and commercial and industrial energy users.

It is important to acknowledge that even though green leases can be considered to be more of a down-the-line solution compared to other interventions like engaging facility owners and shifting qualified end users to participate in the Retail Competition and Open Access (RCOA) and the Green Energy Option Program (GEOP) schemes, this innovative policy still offers an alternative to consider when other methods are not feasible and available.

## Context Setting

### **International corporates requiring 100% RE are increasing in number**

Global corporates are aggressively setting science-based and RE targets as they continue to see the benefits and opportunities in reducing carbon emissions across their Scope 1, Scope 2, and Scope 3 emission sources and implementing sustainability and "green" initiatives. Because shareholders, consumers, and investors are becoming increasingly conscious of the choices they make, it is critical that a company maintains its credibility and

strengthens its reputation for achieving their carbon emission and sustainability targets. This can help such companies further elevate their corporate leadership status and drive momentum for growth in their field.

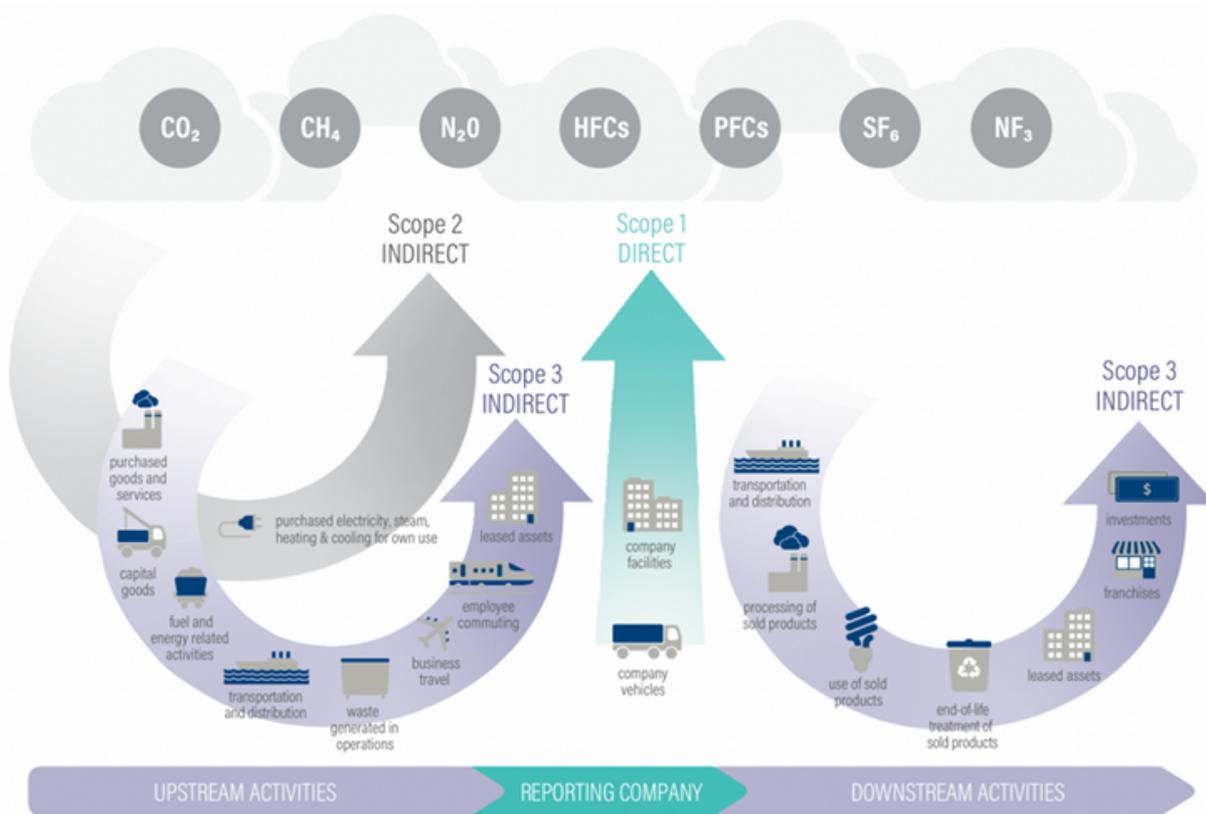
According to the Science Based Targets initiative (SBTi), targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement: limiting global warming to well below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.<sup>1</sup> Science-based targets provide a clearly defined pathway for

companies to reduce greenhouse gas (GHG) emissions, helping prevent the worst impacts of climate change and future-proof business growth. By doing so, these companies are demonstrating concrete sustainability commitments that enable them to stay competitive, achieve sustainability goals, gain operational savings, and realize reputational leadership targets. SBTi works with companies in setting emission reduction targets including those outside RE (energy efficiency, clean heat, etc.) and of energy itself (forestry and offsets, methane avoidance, etc.). Meanwhile, targets such as those set with the RE100 platform are only for RE, mainly renewable electricity.

**Scope 1, Scope 2, and Scope 3 emissions** are terms commonly used to categorize greenhouse gas emissions in the context of corporate or organizational reporting. These categories were defined by the Greenhouse Gas Protocol, a widely accepted standard for GHG accounting. It allows organizations to comprehensively assess and address their GHG emissions, including both direct and indirect sources, to effectively manage their environmental impact and work towards sustainability goals.

- **Scope 1 emissions** are direct emissions from sources that are owned or controlled by the organization, such as emissions from burning fuel for heating or power.
- **Scope 2 emissions** are indirect emissions from the generation of purchased or acquired electricity, steam, heat, or cooling.
- **Scope 3 emissions** are all other indirect emissions that occur in the value chain of the organization, such as emissions from transportation, waste, and upstream and downstream activities.

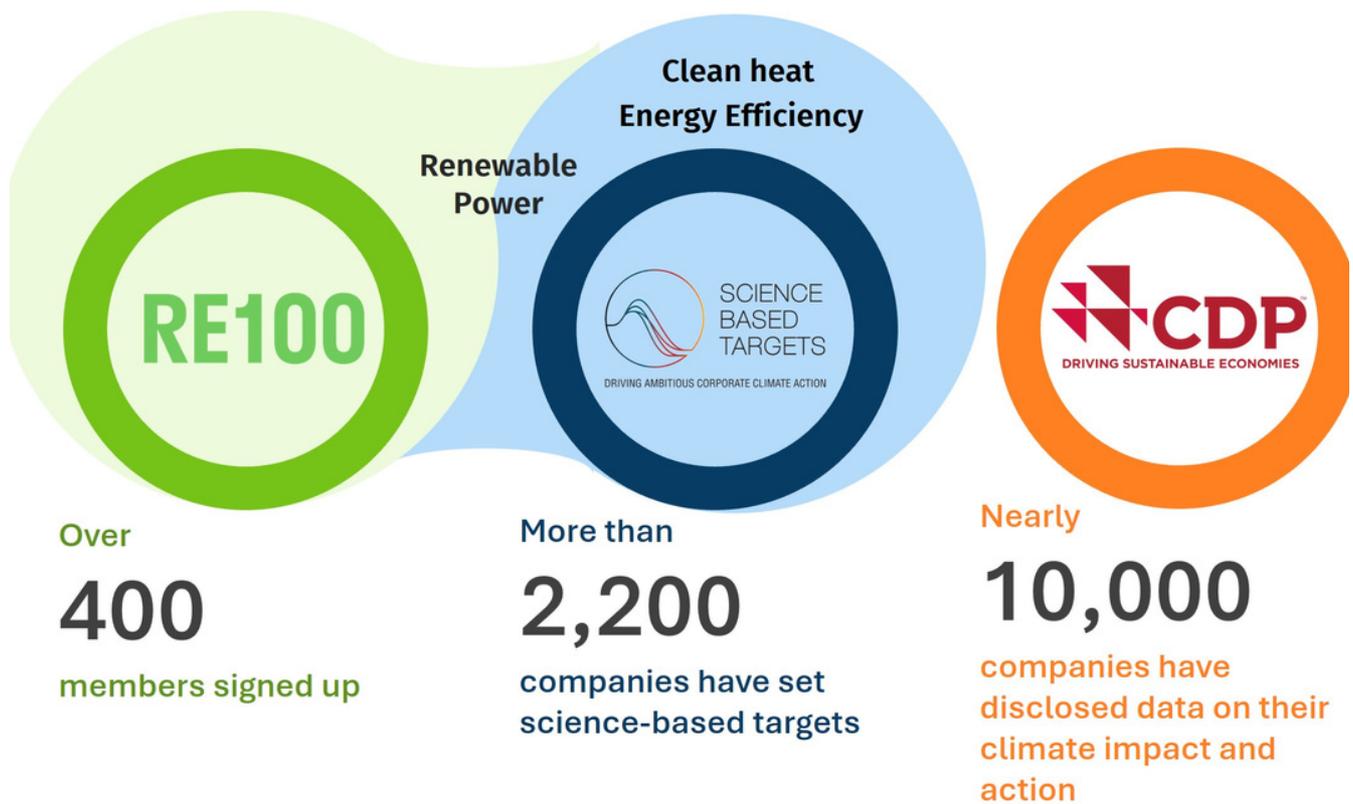
<sup>1</sup> Source: <https://sciencebasedtargets.org/how-it-works#:~:text=Targets%20are%20considered%20%27science%2Dbased.warming%20to%201.5%C2%B0C2>



Source: [Scope 1, 2, and 3 Emissions from the World Resources Institute's Greenhouse Gas Protocol](#)

While it is important for corporates to set goals and targets to reduce their emissions, they must also take the necessary steps to ensure that these commitments translate into concrete actions. There is strong evidence of corporates seeking avenues that will allow them to successfully plan, implement, and monitor these targets, such as the significant increase in the number of companies committing to internationally-recognized clean energy

platforms such as the RE100 (a global corporate RE initiative bringing together hundreds of large businesses committed to 100% renewable electricity), SBTi (an initiative where organizations set science-based emissions reduction targets), and the CDP (a not-for-profit charity that runs the global disclosure system for participating market players to manage their environmental impacts).



The RE100 coalition has **over 400 global businesses as members** that collectively have a demand of more than 385 terawatt-hours per year (TWh/yr) of renewable electricity; this amounts to over 5 times the annual electricity consumption of the Philippines. Meanwhile, **more than 2,200 companies** covering over a third of the global economy market capitalization were working with the SBTi—a rate of more than 110 new companies per month. It is important to note that SBTi only represents one of several climate target-setting platforms but it is among the most prominent and fast-growing platforms to date. Other platforms include the Clean Energy Buyers Association (CEBA), the Clean Energy Demand Initiative (CEDI), and the Asia Clean Energy Coalition, among others. CPD on the other hand has close to 10,000 companies that are participating in their global disclosure system in managing environmental impacts.

The CEIA continues to work closely with the private sector given the essential role that it plays in contributing to an accelerated energy transition by sending a clear signal to policymakers that corporates are heavily investing in renewable electricity and an enabling policy environment is needed to increase private sector clean energy investments. Seeking various paths for decarbonization and committing to climate-related and science-based targets allow these international businesses to reap the benefits including a stronger brand image, a more attractive target market for investors and consumers, and a steadier revenue stream due to cost savings.

## **Global companies with Philippine presence see RE procurement as integral to achieving climate-related commitments across their value chains**

Through CEIA's previous and current engagements with relevant market players, it has been observed that many global companies that are also operating in the Philippines are setting internal targets to work toward a net-zero emission value chain that is aligned with the mandate of their international headquarters. This undertaking allows corporates to effectively measure and tackle their emissions, especially their scope 1 and 2 emissions, to solidify their decarbonization efforts. Notable global brands with Philippine presence include Concentrix, Uniqlo, Holcim, Nestle, Coca-Cola, and Unilever, among others. Data shows that 73 members of the RE100 companies are currently operating in the Philippines. Collectively, these companies represent a total demand of 748 gigawatt-hours (GWh), equivalent to over 500 MW of RE demand.

In addition, global companies are starting to recognize the seriousness of 'greenwashing' accusations. These companies are aware that shareholders, customers, and investors are now more careful in engaging with brands that really implement and meet their sustainability targets. With this in mind, global companies are making sure that they also include their value chain in their overall decarbonization efforts to ensure that they fully adhere with their climate-related commitments. This means that Philippine value chain partners of top global brands like NorthFace, Nike, Adidas, or a

global technology company such as Apple that has manufacturing operations in the country need to be aligned in terms of 100% RE commitment to avoid competitiveness issues. It is important that Philippine-based service providers, manufacturers, and supply chain partners of these international corporates deliver and keep up with the sustainability and net-zero demands of their so-called principals or customers, the global brands with SBTi and RE100 targets, in order to preserve business. For the Philippines, this means mitigating any risk of relocation among the global brands to other countries which offer a better environment in achieving SBTi and RE100 targets and in the process, maintaining and even growing local job opportunities and enabling the growth of local companies.

## **Green lease as an innovative procurement option for corporates with Philippine operations that do not own their buildings/facilities**

Because the Philippines' current regulatory framework limits corporates that do not own their buildings and facilities to directly procure RE as discussed in detail in a [White Paper](#) published by CEIA in February, an innovative policy solution like green leases could bridge this gap in the market to allow these businesses, alongside their value chain partners, to meet their sustainability goals. In a previous convening conducted by CEIA, the United States National Renewable Energy Laboratory (NREL) described green leases as similar to a lease of a property but with the inclusion of clauses that equitably aligns costs

and benefits of energy investments in order to unlock win-win scenarios in energy efficiency and sustainability.

Through CEIA's previous and current engagement with expert partners and policymakers, the topic on 'green lease' could be an option to address these barriers that tenants are facing when it comes to directly procuring RE. Given that the green lease mechanism is already being implemented in other countries such as the United States, Brazil, Singapore, and Taiwan among others, this innovation can also be replicated in the Philippines and can be explored by lessors and lessees alike to be able to make RE available.

The concept of green leases is not entirely new given that it is already present in several parts of the world. In terms of global implementation, 42% of the 221 surveyed real-estate investors in Europe, North America, and Asia Pacific have adopted green lease clauses, and an additional 37% plan to adopt them by 2025.<sup>2</sup> Meanwhile, green leases are already mandatory in France for all large commercial leases. Additionally, Hong Kong and Singapore already have robust frameworks for green leases.

### **A replicable green lease for the Philippines: Taiwan**

In the case of the Philippines, the closest green lease model that would be both applicable and replicable given the current scenarios is

Taiwan's model. According to Taiwan's National Renewable Energy Certification Center (T-RECC), Taiwan's Bureau of Standards, Metrology and Inspection under its Ministry of Economic Affairs recently launched the "Green Leasing Program" in 2022, which aims to assist tenants of commercial buildings or similar type of collective buildings in buying T-REC certified green electricity through the current power wheeling mechanism in achieving their goals of corporate sustainability or meet the requests for companies participating in programs like RE100 or CDP.

This mechanism in Taiwan was first piloted in the late 2020 when the Taiwan government implemented its "Pilot Program of Renewable Energy Certificate Transaction for Multiple Users in Single Electricity Account Number" that allowed business tenants in commercial buildings that do not hold the electricity account to buy green electricity. The program has since then been upgraded into the "Green Leasing Program" (also called version 2.0) in 2022, which extended the scope to also empower landlords of commercial buildings as a contracting party under this upgraded version. The advantage of this arrangement is that the landlord has the flexibility to allocate green electricity as requested by the tenants. The tenants, on the other hand, can enjoy the service provided by the landlord and buy the exact amount of electricity they need. Table 1 below shows the features that vary between these two versions.

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2 <https://www.jll.co.uk/content/dam/jll-com/documents/pdf/research/global/decarbonizing-the-built-environment.pdf>

	Version 1.0	Version 2.0 (Green Leasing Program)
Green Electricity Procurement Contract Party	Tenant	Commercial Building Landlord
Contract Method	Tenant required to sign a tri-party agreement with the landlord and power retail enterprise	Landlord signing contract with power retail enterprise, and discussing with the tenants on the amount of green electricity to be allocated
Green Electricity Price	Price negotiated between the tenants and power retail enterprise	Green electricity procured in bulk by the landlord, and split with the tenants
T-REC	Tenants as the primary transferee, landlord as the the second transferee	

Table 1. First two versions of Taiwan’s green leasing program

Under the pilot program (Version 1.0), only the tenants of the commercial buildings are the contracting parties for green electricity procurement. This is initiated through a tri-party agreement between the tenant, the landlord, and the RES, although the price negotiations for the green electricity only happened between the tenant and the RES. After Version 2.0 Green Leasing Program was implemented, the landlords, similar to the tenants, can now become a contracting party that can directly engage with the retail electricity suppliers for contract signing and price negotiation. The purpose of this upgraded version is to encourage more commercial buildings to participate, to expand the role of the landlord as a coordinator of green

electricity procurement and promote the purchase of green electricity for the entire building, and to allow landlords to assist tenants procure green energy while having the flexibility to allocate and maximize the green electricity needed by the tenants.<sup>3</sup>

Given that the Philippines is facing a similar scenario, Taiwan’s green lease model could be a good template that can be adopted locally to address the challenges being faced by market participants in terms of direct RE procurement. While the green leases model has a positive impact for the tenants of the buildings, landlords and facility managers can also greatly benefit from a business perspective.

3 <https://medium.com/tej-can-help/tej-dictionary-green-leasing-program-targeting-landlords-or-tenants-a03125670f0d>

## Opportunities for landlords and facility managers with green leases

The implementation of the green lease model is a two-way street and cannot be implemented effectively if the landlords and facility managers are not as empowered and involved as the tenants operating under them. In addition to participating in procurement models like this to their tenants' benefits, it is equally important to help landlords and facility managers understand that the green leases model can also positively impact their business.

**Capture investments coming from global brands, including Fortune 500 companies, with aggressive RE targets.**

The number of global businesses committing and setting sustainability targets continues to increase and with that, businesses are increasingly including the ability to directly procure and utilize RE in their business and investment decisions. If a green leases policy is supported by landlords, facility managers, and tenants alike, and tenant companies and their value chains are able to access RE with the leadership and support of their landlords and facility managers, this will be an attractive selling point for landlords and facility managers to bring in new and retain existing tenants and overall increase profitability, as well as enable them to reach their own sustainability plans.

According to NREL, green leases have gained popularity especially among multinational firms and data centers. By embracing this concept and shifting to RE, this allows landlords and facility managers to align with sustainability

goals and demonstrate a commitment to environmental stewardship, which can enhance their reputation and enable them to attract more environmentally conscious customers, employees, and investors. Because more customers and stakeholders are now prioritizing sustainability, widespread adoption of RE can enhance a facility's market position, differentiate its products or services, and appeal to more consumers resulting in higher tenant retention.

**Cost savings from RE utilization and engagement with RES**

A green lease procurement model would also allow landlords and facility managers to switch from their incumbent distribution utility (DU) to a qualified RES and choose RE as their source of electricity. Through CEIA's direct engagement with a number of the RES, they have confirmed that they are able to offer lower generation rates and fixed payment models compared to local DUs. Lower retail rates and the ability to lock in fixed energy rates between the facility's management and the RES, as well as the facility's management and the tenant, could allow landlords and facility managers to realize immediate cost savings by switching to RE.

## Insights and Recommendations

### RE procurement scenarios and corresponding solutions

Through previous and ongoing CEIA engagements, CEIA has gathered insights and feedback from market participants about their experiences and challenges in terms of directly procuring RE. Through these conversations, the CEIA has determined that corporates are experiencing different scenarios that ultimately lead to them all being unable to directly procure

RE. Finding the right solutions to address these different scenarios is key to supporting these companies meet their sustainability and business targets. The first step that is common across all scenarios is to identify whether the company trying to procure RE is qualified to do so, either by meeting the thresholds required by either the RCOA or the GEOP and owning their facilities. If the company does not meet either of these requirements, the landlords or facility managers will need to be involved to move forward in procuring RE.

Scenario	Solution
<p>End user:</p> <ul style="list-style-type: none"> <li>• qualified for GEOP or RCOA</li> <li>• does not own the building/facility</li> <li>• owns the electric meter</li> <li>• has not shifted to RE yet</li> </ul>	<p>Awareness raising is needed to inform the end user that although they are only renting the building or facility they are operating in, they can still directly transact with a RES to participate either in RCOA or GEOP given that the electric meter is owned by the end user. This has already been done by one of the corporates in the BPO industry that CEIA is currently engaging with which means that it can serve as a precedent for other corporates with the same situation.</p>
<p>End user:</p> <ul style="list-style-type: none"> <li>• does not own the building/facility</li> <li>• does not own the electric meter</li> <li>• has not shifted to RE yet</li> </ul> <p>Landlord/facility manager:</p> <ul style="list-style-type: none"> <li>• not aware of existing RE procurement options</li> </ul>	<p>Efforts should focus on engaging and making the landlord or facility manager aware that there are existing RE procurement options available. Help the landlord or facility manager realize the opportunities and benefits in shifting to RE and hopefully get their buy-in to participate in either RCOA or GEOP.</p>

Scenario	Solution
<p>End user:</p> <ul style="list-style-type: none"> <li>• does not own the building/facility</li> <li>• does not own the electric meter</li> <li>• has not shifted to RE yet</li> </ul> <p>Landlord/facility manager:</p> <ul style="list-style-type: none"> <li>• aware of existing RE procurement options but no buy-in to shift to RE</li> </ul>	<p>This is where innovative procurement options such as green leases can be leveraged in engaging both tenants and landlords in shifting to RE. A green lease policy can provide a win-win situation wherein costs are equitably aligned between tenants and landlords. This will enable tenants to utilize RE to meet their decarbonization targets and at the same time, allow landlords to reap the benefits that come with green lease as explained in the previous section.</p>

As explained above, there are various ways to address the challenges concerning direct RE procurement depending on where the end users and landlords stand in current situations. It is worth noting that while ‘green leases’ is not the only direct RE procurement solution, they could provide an additional option to consider when all other approaches are unavailable. CEIA continues to closely monitor and engage with the various market stakeholders in the Philippines to better understand their current RE needs and to help determine solutions that would achieve win-win opportunities for everybody.

### Insights from policymakers

CEIA also sought feedback from the Philippine Department of Energy (DOE) and the Energy Regulatory Commission (ERC) to understand their perspectives on the possibility of adopting and implementing a green lease procurement policy. Previously, both policymakers seemed receptive to the idea when the concept was presented during a [CEIA-led industry dialogue](#) held last September 2022. The DOE expressed that the green lease model is a concept that

looks like a combination or an overlap of existing Philippine policies such as the energy service companies (ESCOs), net metering, and green building requirements. However, the DOE expressed that mandating stakeholders, especially the tenants and the landlords, to participate in green leases through a policy issuance might already be outside of the DOE’s mandate since negotiations of lease agreements are between private entities (tenants, landlords, and RES). Nevertheless, the DOE added that it is worth exploring how green leases will be able to deliver 100% RE to tenants and believes that if there is enough consensus and demand for the green leases implementation among relevant stakeholders, this could be a good starting point for policy makers to consider in future regulatory frameworks. In a recent one-on-one interview with ERC, they expressed that a mechanism like green leases could also have a similar setup like the GEOP in terms of entering into an agreement between the tenant, landlord, and RES that is unregulated and would not need further approval from government bodies such as the ERC.

## Next Steps

As policymakers and stakeholders begin to explore and learn about innovative RE procurement options such as green leases, CEIA will continue to support the various efforts to address the current RE market barriers.

1. Active market players, inclusive of tenant companies, landlords, and facility managers, should be actively involved in opportunities to increase their understanding of the green lease policy and the opportunities, benefits, and challenges that come with it. By doing so, this will enable stakeholders to make more informed decisions with regard to the adoption and implementation of such policy.

2. A strong and open engagement between policymakers, corporations, and landlords is crucial for a successful roll-out of new policy recommendations such as green leases. The conduct of focus groups and closed-door roundtable discussions are perfect avenues to gather insights and feedback from relevant stakeholders. By effectively understanding the concerns and experiences of tenant companies and landlords, recommendations can be relayed to policymakers allowing them to craft a well-rounded policy that addresses the urgent demand of RE procurement from these market players and provides a win-win scenario.

There are several ways for corporates to still enjoy renewable electricity in the absence of a policy like green leases as this would entail the involvement of policymakers such as the DOE and ERC or may even need a new law which can take a lot of time. However, if landlords and facility managers are still not aligned with the sustainability goals of their tenants, then green leases may need to be explored and be added to the government's priority list of future policy innovations. The CEIA believes that for the country to further explore the concept of green leases, three things must be put in place:

1. ERC order
2. DOE department circular
3. A legislative assessment on whether real estate and retail electricity laws may need to be amended or a new policy created altogether.

These components can enable the creation of a new or amended policy framework that can serve as a legal basis for future implementation of green leases.