

# WILL SAN MIGUEL CORPORATION POWER A WORLD MADE BETTER?

**A report scoping the energy transition direction  
of the Philippines' biggest fossil fuel expansionist**



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## Table of Contents

List of Tables	4
List of Figures	5
Abbreviations used	6
Executive Summary	11
<b>I. Introduction</b>	<b>17</b>
<b>II. The Company</b>	<b>19</b>
San Miguel Corporation	19
Revenue and income	19
Shareholders	21
Board and officers	23
Subsidiaries and affiliates	24
<b>III. SMC’s Power Generation and Related Business</b>	<b>25</b>
Over a decade of generating dirty and costly electricity	25
SMC Global Power Holdings Corp.	25
Coal Power Generation	28
Operating coal-fired power plants	28
Proposed coal-fired power plants	29
Proposed LNG Projects	31
Hydroelectric Power Generation	32
Other Renewable Energy Projects	34
Battery Energy Storage System (BESS)	34
Power Supply Agreements	35
Fuel Supply	38
PT Bara Tabang	39
Vitol Asia Pte. Ltd	39
Financing	40
Generation Market Share Limitation	43
Generation Rates	44
Regular Outages and Gaming Allegations	45
Coal Mining Business	47
Midstream Fossil Gas Business	47
<b>IV. SMC’s Power Distribution Business</b>	<b>48</b>
Dependence on Unreliable Power Supply	48
<b>V. SMC Fuel and Oil Refining</b>	<b>51</b>
<b>VI. Food and Beverages Business</b>	<b>53</b>
<b>VII. Infrastructure</b>	<b>56</b>
Pasig River Expressway	58
<b>VIII. Overseas Business Operations</b>	<b>59</b>
<b>IX. Community and Civil Society Opposition</b>	<b>61</b>
A History of Protests and Reprisals	61
Communities, green and faith-based groups oppose coal power plants and coal mining operations	61

Communities, green and faith-based groups oppose fossil gas projects	61
The 33 void PSAs	68
SMC's Price Adjustment Legal Battle	73
Mobility and heritage conservation advocates oppose ParEx	74
The Oriental Mindoro oil spill	75
Protect VIP and other environmental organizations pressuring banks to stop fossil fuel financing	77
<b>X. Sustainability, clean energy at San Miguel</b>	<b>81</b>
Are they green enough?	81
<b>XI. Recommendations for SMC</b>	<b>83</b>
Fossil Fuel Fiend or Champion of Power Transition?	83
Annexes	88
Annex A: Summary of SMC Global Power's Power Portfolio	88
Annex B: List of SMC Power Supply Agreements	89
Annex C: Top 100 Stockholders of SMC	97
Annex D: Top 10 Stockholders of Top Frontier Investment Holdings	101
Endnotes	102



## List of Tables

Table 1. The Top 10 Corporate Stockholders of SMC	21
Table 2. The Top 10 Individual Stockholders of SMC	21
Table 3. The Church-Affiliated Stockholders of SMC	22
Table 4. SMC Board Members and Key Executives as of 2021	23
Table 5. The Stockholders of SMCGP	26
Table 6. Status of SMCGP’s Coal-Fired Power Plants	29
Table 7. List of Fossil Gas Power Plants Operated and Planned by SMC Group	31
Table 8. Status of Hydroelectric Power Plants operated by SMC Group	33
Table 9. Fuel Supplier of Power Plants Owned or Operated by SMCGP	39
Table 10. List of Loans and Issuance of SPCS by SMCGP	42
Table 11. Top Three Lowest Generation Rates Charged to Meralco per Month during Russia-Ukraine War	45
Table 12. Parent Holding Companies behind the 2021 Yellow and Red Alerts	46
Table 13. Summary of APEC, Concessionaire of ALECO, and OEDC PSAs	50
Table 14. Top 10 Stockholders of Petron Corporation	52
Table 15. Top 10 Stockholders of San Miguel Food and Beverage, Inc.	53
Table 16. Infrastructure Project Agreements Entered by SMC	56
Table 17. Breakdown of Regional Contribution to SMC’s Revenues in 2020	59
Table 18. SMC’s 33 Void PSAs still in effect and/or non-compliant with Alyansa Ruling	70

## List of Figures

Figure 1. SMC Business Contributions to Revenue and Operating Income	20
Figure 2. San Miguel Corporation Corporate Tree	20
Figure 3. SMCGP Corporate Tree	23
Figure 4. SMCGP Installed Capacity Mix as of December 2022 (MW)	27
Figure 5. SMCGP Installed Capacity by Age Group (MW)	27
Figure 6. Estimated Installed Capacity Mix in 2025	35
Figure 7. Share of SMCGP Contracted Volumes per Region as of 2023 (MW)	36
Figure 8. Share of SMCGP Contracted Volumes in Luzon, Visayas, and Mindanao as of 2022 (MW)	36
Figure 9. Loan and Bonds financing by SMCGP and its subsidiaries for Coal-Fired Power Plants (USD millions)	40
Figure 10. Loan and Bonds financing by SMCGP and its subsidiaries for LNG-related assets (USD millions)	41
Figure 11. Average Generation Rate of SMC Power Plants with Bilateral Agreements with Meralco v. Meralco's Overall Generation Charge (Php/kWh)	44
Figure 12. Fossil Fuel Power Plants with more than four years of Unavailable Capacity due to Unplanned Outage or Derating since 2016 to May 2023	46
Figure 13. January 2021-October 2022 Residential power rates of ALECO-APEC (Php/kWh)	49
Figure 14. January 2021- May 2023 Generation Charges of OEDC (Php/kWh)	49
Figure 15. Petron Corporation Corporate Tree	52
Figure 16. San Miguel Food and Beverage Corporate Tree	54
Figure 17. Ginebra San Miguel Corporate Tree	55
Figure 18. Generation Rate and Power Rate of a 300 kWh Meralco Household, Jan-May 2023	73

## Abbreviations used

ACEN	AC Energy
AG&P	Atlantic, Gulf & Pacific of Manila
AHC	Angat Hydropower Corporation
ALECO	Albay Electric Cooperative, Inc.
APEC	Albay Power Energy Corporation
BBWSSP	Bulacan Bulk Water Supply System Project
BERI	Bonanza Energy Resources
BESS	Battery Energy Storage System
BOT	Build, Operate, and Transfer
CAAP	Civil Aviation Authority of the Philippines
CBCP	Catholic Bishops' Conference of the Philippines
CEPALCO	Cagayan Electric Power & Light Company
CEED	Center For Energy, Ecology, and Development
CCGT	Combined Cycle Gas Turbine
CFB	circulating fluidized bed
CFFP	coal-fired power plants
CLPPC	Central Luzon Premiere Power Corporation
COC	Coal Operating Contract
CPGC	Converge Power Generation Corporation
CSP	Competitive Selection Process
CSR	Corporate Social Responsibilities
DAMI	Daguma Agro Minerals, Inc.
DENR	Department of Environment and Natural Resources
DOE	Department of Energy
DOTR	Department of Transportation
DPWH	Department of Public Works and Highways
DU	Distribution Utilities

EC	Electric Cooperatives
ECC	Environmental Compliance Certificate
ECQ	Enhanced Community Quarantine
EERI	Excellent Energy Resources, Inc.
EIA	Environmental Impact Assessment
EGCO	Electricity Generating Public Company
EMB	Environmental Management Bureau
EPC	Engineering, Procurement, and Construction
EPIRA	Electric Power Industry Reform Act of 2001
ERC	Energy Regulatory Commission
GDP	gross domestic product
GHG	greenhouse gas
GNPD	GNPower Dinginin
GW	Gigawatts
IEC	Information and Education Campaign
IPP	Independent Power Producer
IPPA	Independent Power Producer Administration
LETI	Lumiere Energy Technologies, Inc.
LNG	liquefied natural gas
LPG	liquefied petroleum gas
MATES	Manila Tollway Expressway Systems
MAOC	Move as One Coalition
MPGC	Mariveles Power Generation Corporation
MPPCL	Masinloc Power Partners Co. Ltd.
MRT-7	Metro Rail Transit 7
MW	Megawatts
MWh	Megawatt-hour
MWp	Megawatt peak

MOMCO	Metro O&M Corporation
MWSS	Metropolitan Waterworks and Sewerage System
NAIAX	NAIA Expressway
Napocor	National Power Corporation
NEA	National Electrification Administration
NGCP	National Grid Corporation of the Philippines
NIA	National Irrigation Administration
OEDC	Olongapo Electric Distribution Company
OEFA	Omnibus Expansion Facility Agreement
OLSA	Omnibus Loan and Security Agreement
PNCC	Philippine National Construction Corporation
PPA	Power Purchase Agreement
PSA	Power Supply Agreement
PSALM	Power Sector Assets and Liabilities Management Corporation
PSC	PNCC Skyway Corporation
PSPP	Power Suply Procurement Plan
PVEI	PowerOne Ventures Energy Inc.
QPPL	Quezon Power Phils. Ltd.
RE	renewable energy
RPS	Redeemable Perpetual Securities
SCPC	San Miguel Consolidated Power Corporation
SEC	Philippine Securities and Exchange Commission
SEPC	Sultan Energy Philippines Corporation
SETL	Singapore Exchange Trading Ltd.
SLEX	South Luzon Expressway
SMC	San Miguel Corporation
SMCGP	SMC Global Power Holdings Corp.



SMEC	San Miguel Energy Corporation
SMFB	San Miguel Food and Beverage, Inc.
SPCS	Senior Perpetual Capital Securities
SPPC	South Premiere Power Corporation
STAR	Southern Tagalog Arterial Road
STOA	Supplemental Toll Operation Agreement
TADHC	Trans Aire Development Holdings
TFCD	Task Force on Climate-Related Financial Disclosure
TPLEX	Tarlac-Pangasinan-La Union Expressway
TRAIN Law	Tax Reform for Acceleration and Inclusion Act
TRB	Toll Regulatory Board
ULC BVI	Universal LRT Corporation BVI
UPSI	Universal Power Solutions, Inc.
VIP	Verde Island Passage
WESM	Wholesale Energy Spot Market

## Executive Summary

**A**s one of the oldest and largest conglomerates in the country and through its various products and services, San Miguel Corporation (SMC) has intrinsically woven itself into the everyday lives of millions of Filipinos. In the energy landscape, SMC is a major actor that has spearheaded the massive expansion of coal in the last decade, and is taking on a similar direction for the fossil gas industry today. With its continued support for fossil fuels, SMC is mired in controversies, specifically regarding its proposed fossil gas capacity including in the Verde Island Passage, its legal battle against consumers for even higher power rates, and its involvement in the Oriental Mindoro Oil Spill.

This, however, need not be the case for SMC, as it is well-positioned to take the lead in the country's energy transition, considering its ambitious plans for renewable energy and battery energy storage system. This report provides an overview of SMC's current location in the energy transition in the Philippines and beyond, towards enabling stakeholders to engage and challenge SMC to power a 'world made better' for all Filipinos.

### Key findings

- ▶ In 2022, SMC reported a strong revenue of Php 1.5 Trillion, topping the Php 1.0 Trillion of pre-pandemic 2019. In the first quarter of 2023, SMC's revenue reached Php 346.7 billion, 9% higher from the same period last year. In 2022, operating income went upward to Php 134.5 billion, or 10% from last year. This income was made possible by key businesses of the company such as in Petron, San Miguel Food and Beverage, San Miguel Packaging, and SMC infrastructure. On the other hand, the consolidated net income of the company

went down to Php 43.2 Billion due to the impact of unrealized losses on the revaluation of its foreign currency-dominated long term debt. In the first quarter of 2023, the consolidated operating income is up 8% or Php 35.1 billion.

- ▶ SMC Group's overseas business operations accounted for approximately 20% of consolidated sales and 12% of consolidated net income in 2020. These operations are located in Australia, China, and the majority in Southeast Asia Region, particularly in Malaysia, Singapore, Indonesia, and Vietnam with Malaysia contributing the highest sales because of Petron's fuel and oil refining business.
- ▶ At present, SMC Global Power (SMCGP) and its subsidiaries control 4,719 MW of total national installed capacity from its range of power plants using different fuels. About 87% of its total capacity utilizes fossil fuels, including 2,919 MW from coal and 1,200 MW from fossil gas. The share of hydropower is 12%, and the remaining 1% is from battery energy storage and peaking plants.
- ▶ Nearly 73% of SMCGP's total installed capacity has been operating for more than 16 years and most of the existing coal-fired and gas-fired power plants, with a combined capacity of 2,874 MW, have been running for 21-25 years. Out of nine power plants reported to have experienced forced outages almost every year since 2016, three were SMCGP power plants, namely: Ilijan Gas Power Plant, MPPCL Coal Power Plant, and SMC Limay Coal Plant. In 2019, the Department of Energy tapped the Department of Justice to investigate an alleged gaming or sabotage among generation companies, where one of their subsidiaries will reportedly experience a forced outage and their other subsidiary generation company will sell the needed supply at a much higher rate in the Wholesale Electricity Spot Market. The same SMC power plants listed above were included in this controversy, which has not been resolved.
- ▶ Majority of SMCGP's proposed capacity is fossil fuels. The total capacity of proposed coal projects is 1,900 MW, and around 66% or 1,244 MW is expected to be commissioned by the end of 2023. SMCGP likewise leads the gas expansion in the country with eight gas-fired power plants in the pipeline with a combined capacity of 14,100 MW, including the nearly-completed 1,750 MW gas-fired power plant by its subsidiary, Excellent Energy Resources Inc. (EERI). This accounts for half of the planned gas development in the Philippines and by far the largest in the Southeast Asia Region. For hydropower, four projects are in the pipeline with a total capacity of 630 MW. Multiple solar projects are also in the works with a combined capacity of 800 MWp.
- ▶ SMCGP, through its subsidiaries—Universal Power Solutions, Inc. (UPSI), MPPCL, and SMCGP Philippines Energy—is committed to expanding its BESS portfolio to 1,000 MWh nationwide, which will allow for the integration of over 5,000 MW of RE power sources into the grid. Of these 1,000 MWh combined capacity of 32 BESS facilities, 690 MWh is already in the construction, testing and commissioning phase is expected to be ready by the end of 2022 while the remaining 290 MWh is spread across 10 sites and expected to be completed in 2023. Currently, SMC has an existing 10 MWh in Masinloc and 20 MWh in Kabankalan, which was completed in December 2020, and the latter already started its commercial operation in January 2022 as an ancillary service provider to the NGCP. Most recently, in March 2023, SMC inaugurated its 90-MWh BESS facilities in Limay, Bataan. SMCGP claims that its 32 battery storage stations is the first and largest BESS network in the country, and among the largest integrated battery storage networks in the world.

- ▶ The bulk of the contracted capacity under Power Supply Agreements (PSAs) entered by SMCGP per region is in the NCR, accounting for 63.9%; the number of which is mainly attributed to Meralco at 68.8%. In Luzon, 28 Distribution Utilities (DUs) have existing contracts with SMCGP, while only CEBECO II and BOHECO I have active contracts with SMCGP in Visayas. In Mindanao, SMCGP has existing PSAs with ten DUs, with Davao Light and Power Company (DLPC) having the majority share of the total contracted capacity in Mindanao at 38.2%, followed by ZAMCELCO at 22.3%, and DANECO at 12.7%. In March 2023, EERI and Masinloc Power Partners Co. Ltd. (MPPCL) withdrew their 20-year PSAs pending in the ERC since 2021, which were offering 1,200 MW and 600 MW of power, respectively.
- ▶ At least 33 PSAs involving SMCGP power plants have been declared null and void by Supreme Court for not participating in the mandatory Competitive Selection Process pursuant to Department of Energy Circular DC2015-06-008. These SMC-related PSAs include 9 PSAs with SMEC, 11 PSAs with San Miguel Consolidated Power Corporation, 10 PSAs with SMC Masinloc Power Partners, and 3 PSAs with Limay Premiere Power Corporation. Moreover, at least 32 out of the 120 PSAs that avoided the CSP are still in effect today—12 of these involve SMC’s subsidiaries SCPC, SMEC, and MPPCL.
- ▶ In May 2022, SMC’s subsidiaries—South Premier Power Corporation (SPPC) and San Miguel Energy Corporation (SMEC)—together with Meralco started a legal battle with the Energy Regulatory Commission and electricity consumers when it moved to charge Meralco consumers with even higher power rates under its straight pricing PSAs. While consumers secured a historic decision from the ERC, which denied the motions for price adjustments, SPPC and SMEC elevated the case to the Court of Appeals, which in turn suspended SPPC’s 670 MW PSA. In an absurd turn of events, while the cases are pending in the Court of Appeals, Meralco contracted two Emergency Power Supply Agreements (EPSA) with SPPC,—one 300 MW EPSA and another 180 MW EPSA—which caused the supply shortage in the first place. The legal battle continues as consumers call for mandatory straight pricing and accountability for SMC and Meralco, claiming that in the five months that the SPPC PSA was suspended, electricity bills have increased Php 1,370.90-P hp 3,363.53 for a 200-500 kWh household, compared to the same month the previous year.
- ▶ In October of 2022, Bloomberg reported that SMC faces a serious backlash in terms of a weakening credit profile and legal risks following the ERC’s dismissal of its unit SMC Global Power’s rate hike petition and multiple sources of financial drain. SMC Global Power risks a funding shortfall as high as USD 1 billion by June of 2023. Most of its USD 3.4 billion perpetual notes, callable between 2024 and 2026, face high extension risk given its rising funding costs and poor liquidity. Meanwhile, in March 2023, Fitch Group recommended SMC Global Power (SMCGP) a status of “underperform”, stating that it is concerned about whether SMCGP could tap into debt markets for financing, as issues cropped up surrounding its ability to pay back bond creditors.
- ▶ SMCGP’s Albay Power and Energy Corporation (APEC), which was organized and established in 2013 to operate and manage the franchise of Albay Electric Cooperative (ALECO), recently lost its concession agreement. The audit findings of NEA conducted on March 2021 showed that there are deficiencies in the performance of APEC as a concessionaire of ALECO. System loss remained well above the system loss cap set by the ERC, which resulted in huge subsidized costs thereby negatively affecting its financial viability. NEA reported that the collection efficiently remained below the standard it set.
- ▶ SMC has faced opposition in many of its projects from frontline communities, civil society

organizations (CSO), and various groups over the years. In 2017, the Break Free 2017 campaign was launched by coal-affected communities and CSOs to oppose the expansion of fossil fuel projects in the Philippines and the rest of the world, including SMC's SCPC Limay coal-fired power plant (CFPP), 140 MW power plant in Petron Bataan, and the Masinloc CFPP. SMC's coal mining business in South Cotabato was also opposed by several groups, citing environmental and encroachment concerns, and the attempt to utilize some form of open-pit mining which is forbidden by South Cotabato's 2010 environmental code. In 2017, eight members of T'boli-Manobo S'daf Claimants Organization (TAMASCO), including its former tribal chief Victor Danyan, were killed in what the military alleged was an encounter with rebels, although many groups claim that the massacre was closely connected with the struggle of the indigenous people over their land. They are now remembered as the TAMASCO 8.

- ▶ Similar to its coal projects, SMC's fossil gas plans are facing mounting opposition. In September 2021, several communities, faith-based organizations, and environmental groups launched the Protect Verde Island Passage (VIP) Campaign to oppose the construction of fossil gas and LNG-related projects in the VIP area, as the proposed development will harm marine biodiversity and impact the livelihood of local communities that are dependent on it. This includes SMC's EERI 1,750 MW where water quality in the area will be impacted as stated in its Environmental Impact Statements. Protect VIP, and other organizations are calling for top banks both international and domestic to stop investing and financing fossil expansion in the Philippines, especially in the VIP which is the "center of the center" of marine biodiversity in the world.
- ▶ Protect VIP went on a mission, speaking to banks across the Philippines, Japan, and Europe and participating in these banks' Annual General Meetings to confront them on their policies and exposure to fossil gas projects in the VIP. The group focused on Atlantic Gulf & Pacific Company-Linseed Field Corporation's LNG Terminal and EERI's gas power plants, but also mentioned that there are several other fossil gas projects in the Philippines, which should not be supported, namely: SMC's 600 MW LNG combined cycle power plant in Tabango Leyte, 600 MW LNG combined cycle power plant in Lapu-Lapu City, Cebu, and 300 MW LNG combined cycle power plant in San Carlos, Negros Occidental. These other projects faced strong resistance from local communities which led to SMC's cancellation of environmental impact assessment applications. Protect VIP says that they will be talking to American banks soon.
- ▶ Since the sinking of the MT Princess Empress owned by RDC Reield Marine Services on February 2023, estimated damage in damage to livestock, poultry, and fisheries industry is Php 6.7 million, Php 4.9 billion in damage to agriculture, and with 42,487 affected families, and 200,244 affected individuals. It was later reported that SL Harbour Bulk Terminal Corporation, which is a subsidiary of SMC, chartered MT Princess Empress. SMC President Ang also admitted that SMC is one of the owners of the industrial oil being transported to Iloilo. Affected communities and various organizations are calling for all the polluters, including SMC, to be held accountable for the maritime disaster. While the Environmental Crime Division of the National Bureau of Investigation filed in the Department of Justice multiple cases against 35 people over the sinking of MT Princess Empress, SMC or its subsidiary has not yet been held to account.
- ▶ The proposed Pasig River Expressway (PAREX) also faced opposition from mobility and heritage conservation advocates. Its Environmental Impact Assessment (EIA) was questioned by various groups, including the problematic conduct of its EIA, failure to



consult national cultural agencies, and full of discrepancies and alleged plagiarism on its Environmental Impact Statement (EIS). More opposition was raised also including the potential damage it could do to Pasig River’s ecosystem, the impact on the communities living near the river, the pollution levels it could cause during the construction and operation phase, the questionable benefits it could bring to the commuting public, and the numerous heritage sites that would be affected.

- ▶ While SMC declares itself as a sustainability champion, it is contradicted by its massive fossil gas expansion projects, lack of a clear pathway to meet its 10,000 MW RE target, and lagging climate commitments. SMC has not made any commitments to align with the 1.5°C Paris temperature goal and its lack of support for the Task Force on Climate-Related Financial Disclosures (TCFD) which was created to develop recommendations on the types of information that corporations should disclose to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change, unlike some of the biggest conglomerates in the country who have supported already.

## Recommendations



**Align policies and plans with the 1.5°C Paris temperature goal and Sustainable Development Goals.** Considering that the climate crisis is creating material financial risks that are associated with the enhanced competitiveness of the renewable energy markets, new policies and laws on energy transition, a growing number of litigations against fossil fuel companies, and skyrocketing prices of fossil fuels in the global market, a commitment to align policies and plans with the 1.5°C Paris temperature goal is not only a moral, social, environmental, and climate imperative but has become a business imperative, as well. Moreover, in view of the growing opposition concerning environmental and social impacts of its projects, specifically its gas project in VIP, the Bulacan airport and Navotas gas project in mangrove areas, and ParEx, SMC is lagging behind in taking a serious commitment to pursue projects that place the interest of the people front and center, and protect key biodiversity areas. SMC should at the very least align with the UN Sustainable Development Goals, most especially SDG 14 on conserving and sustainably using the oceans, seas and marine resources for sustainable development.



**Cancel all new and expansion coal power projects and discontinue coal exploration projects.** In a 1.5°C pathway, there is no more room for any coal projects. Thus, there is no reason for SMC to distinguish between greenfield and brownfield investments in the dirtiest fossil fuel. It should also cancel Units 4 and 5 of Masinloc Power Partners Co. in Zambales, Mariveles Power Generation Corp.’s (MGCP) 1200 MW Mariveles Coal-Fired Power Plant, and Phase 3 of its 44.40 MW Refinery Solid Fuel-Fired Boiler Project in Limay, Bataan.



**Abandon massive plans for fossil gas and LNG.** SMC cannot peddle the “bridge fuel” narrative while proposing the biggest capacity for fossil gas and LNG projects not only in the Philippines but the entire Southeast Asia region. It cannot espouse its core value of “malasakit” if it will profit off of another fossil fuel that serves as a detour to the country’s energy transition and further aggravates the climate crisis that burdens millions of Filipinos.



**Retire old and inefficient coal plants, especially power plants that have been experiencing recurring and prolonged outages.** SMC should start by formulating a roadmap for the early retirement of its old, unreliable, and inefficient coal plants. This is also important considering that the DOE is already formulating a policy for the retirement of old power plants and more and more electricity consumers are now demanding higher penalties for unreliable and old power plants.



**Lead the energy transition by raising ambitions for renewable energy and other enabling infrastructures and developing a concrete roadmap to achieve these targets.** As one of the biggest conglomerates in the country, SMC is in the position to take the lead in the energy transition by redirecting investments from fossil gas to renewable energy and further raising ambitions. In the same way that SMC must provide a pathway in phasing-out fossil fuels, it must also provide a detailed roadmap in achieving its renewable energy targets. This makes more business sense now considering the full implementation of the Renewable Energy Act, the now annual Green Energy Auction Program, and the falling prices of renewable energy.



**Assess and manage climate-related risks and opportunities and financial impacts, and support the Task Force on Climate-Related Financial Disclosures.** There is a growing number of Philippine companies supporting the TCFD and in turn, assessing and managing climate-related risks and opportunities and financial impacts. The disclosure of these climate risks would guide not only SMC but its shareholders and stakeholders in making informed choices in an increasingly carbon-constrained world. The value of climate-disclosure information and the company's plans for a low-carbon economy is becoming increasingly valuable for stakeholders. This is especially true for SMC, which has shareholders affiliated with the Catholic Church, which has made a critical call for action from its congregation and accountability from financial institutions, energy and extractive companies, and government leaders to turn away from fossil fuels.



**Take responsibility and accountability for the impacts of its businesses to the lives, health, and environment of stakeholders, and enhance implementation of human rights due diligence.** The long list of complaints against SMC projects, especially in the energy sector, is a glaring sign for the company to go beyond the ESG standard and take responsibility and accountability for the impacts of its businesses in the lives, health, and environment of stakeholders. SMC should take a proactive attitude in addressing complaints of procedural irregularities and violations of due process, environmental rights, and land rights, among others, and ensure that these are no recurring complaints regarding its projects. This should include assessing and managing both direct and indirect adverse human rights impacts in its businesses.

## I. Introduction

### **A call for SMC to embody its ‘a world made better’ credo**

**A**s one of the Philippines’ oldest, largest conglomerates and through its various products and services, San Miguel Corporation (SMC) has intrinsically woven itself into the everyday lives of millions of Filipinos - with the ability to significantly impact their quality of living both positively or negatively. SMC seems to be acutely aware of this, professing its credo of a “world made better.”

Indeed, the company is able to boast of a variety of innovations and corporate social responsibility initiatives that drive this slogan. It ensured, for example, rapid and thorough COVID-19 response programs for its workforce at the onset of the pandemic. It pilots tree planting and coastal resource management projects, and also takes pride in its establishment of feeding and learning centers for children in need and their families. It also pledges the integration of sustainability in its operations.

All good enveloped by such efforts are eclipsed by SMC’s reckless pursuit of detrimental projects, most notoriously in the energy sector. SMC was among the energy players that spearheaded the massive expansion of coal in the last decade - catapulting the share of the dirtiest fossil fuel in the country’s power generation mix to 58% by 2021. Today, it accounts for 25% of the total national installed coal capacity at 2,919 MW. Even as it has yet to quit remaining plans for coal power plants and coal mining, SMC is now also the biggest driver of liquefied natural gas (LNG) expansion in the Philippines and the whole of Southeast Asia at 14.1 GW. Coal and LNG are not the only fossil fuels that SMC has been pursuing as it also

owns Petron Corporation, a major oil refinery that supplies various fuels including gasoline, diesel, liquefied petroleum gas (LPG), jet fuel, and kerosene, and petrochemicals. However, the slew of SMC's detrimental projects doesn't end there. Through its infrastructure business, SMC is proposing the PAREX Project, a six-lane elevated roadway project along the Pasig River's banks that have major ecological, social, and cultural impacts.

The contradiction between SMC's energy ventures, its credo, and its corporate value of *malasakit - para sa kalikasan, sa panahon ng krisis, sa mga pamilya, sa ekonomiya, bayan, at kinabukasan* (care for nature, at a time of crisis, for families, for the economy, for country, and for the future) - are too stark not to be noticed. In propelling the proliferation of fossil fuels, SMC subjects Filipinos to decades of high power prices and unreliable electricity. It risks the loss of livelihood of host communities who rely on a healthy environment for their living and harms the future of today's young people who will be forced to grow up amid increasingly turbulent climate systems. Ultimately, it blocks the Philippines' path to benefiting from genuinely sustainable energy sources - renewables - that abound in it. The company has exposed the people to climate and economic burdens; by creating an energy supply issue due to its TRO application suspending a Power Supply Agreement carrying 670 MW of power, only to resume the same agreement again - but at a much more expensive rate.

That need not be the case for SMC, as it is well-positioned to take the lead in the country's transition to renewable energy. Already, SMC is proving to be a pioneer in battery energy storage—an industry that can unlock further potential for the maximization of renewable energy sources. The company has also expressed its intention to invest in up to 10 GW of RE projects in the next 10 years—a feat which, if achieved, will easily make a case for heightened renewable energy targets nationally and is among the biggest renewable energy commitments among the Philippines' largest power players. A roadmap from SMC to meet this target will set the bar for other power companies.

This report provides an overview of San Miguel Corporation's current location as a major actor in the energy transition in the Philippines and beyond. We hope that this will provide energy transition advocates, NGOs, communities, and movements in the Philippines and in the region, the necessary data and analysis to engage and challenge SMC to truly work towards a 'world made better' for all Filipinos, by powering it with clean and affordable energy from renewables.

**Gerry Arances**  
**Founder and Executive Director**  
**Center for Energy, Ecology, and Development**

## II. The Company

### San Miguel Corporation

**S**an Miguel Corporation (SMC) is one of the Philippines' largest and most diversified conglomerates. Incorporated in 1913, the company has revenues that account for about 7.6% of the 2022 national gross domestic product (GDP) and employs over 70,000 workers worldwide. In the Philippines alone, SMC has 50,433 employees as of December 2022.<sup>1</sup> SMC's five key business groups are food and beverage, packaging, fuel, and oil, power, and infrastructure. In addition, SMC has investments in other businesses such as property development and leasing, cement, car distributorship, and banking services.

### Revenue and income

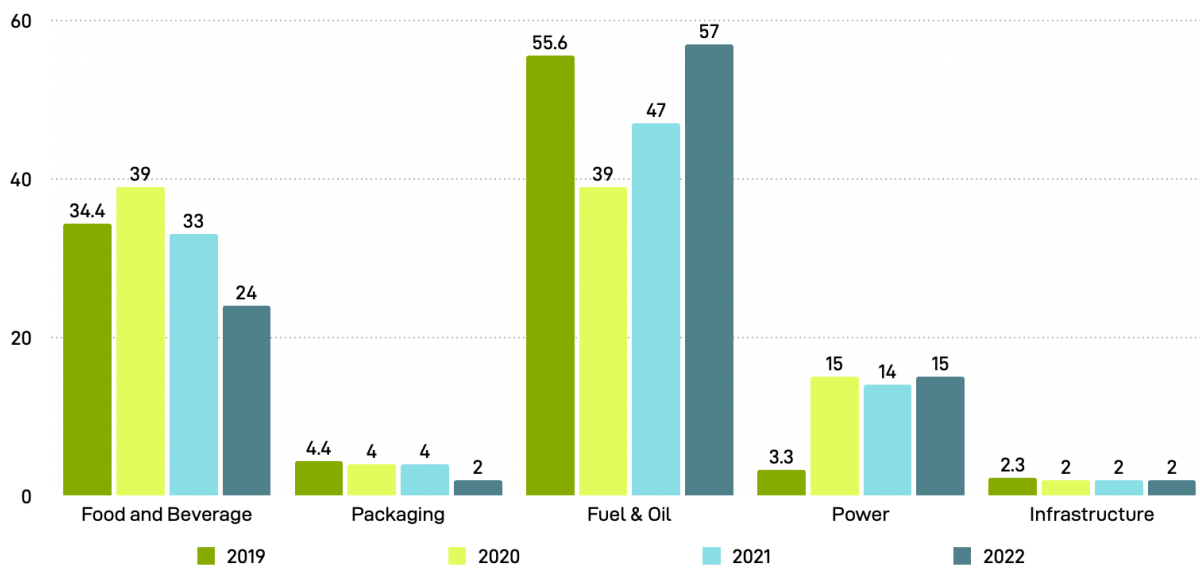
In 2020, amidst the COVID-19 pandemic, SMC registered consolidated revenue of Php 725.8 billion, which was 29% lower than in 2019, and a net income of Php 21.9 billion. Its fuel and oil and food and beverage businesses registered the highest revenue at an equal share of 39%, followed by its power business at 16%, and packaging and infrastructure businesses at a combined share of 6%. In 2021, the company recorded Php 941.2 billion in consolidated revenues, 30% higher compared to 2020. Fuel and Oil contributed 47% while food and beverage slightly decreased its contribution by 6%. Meanwhile, the power business reflected a 14% share, 2% lower than 2020 levels, followed by packaging and infrastructure businesses still at 6% combined revenue contributions.

Moreover, in 2022, the company reported a strong revenue of Php 1.5 Trillion, topping the Php 1.0 Trillion revenue of pre-pandemic 2019 while in the first quarter of 2023, SMC's revenue reached Php 346.7 billion, 9% higher than the same period last year.

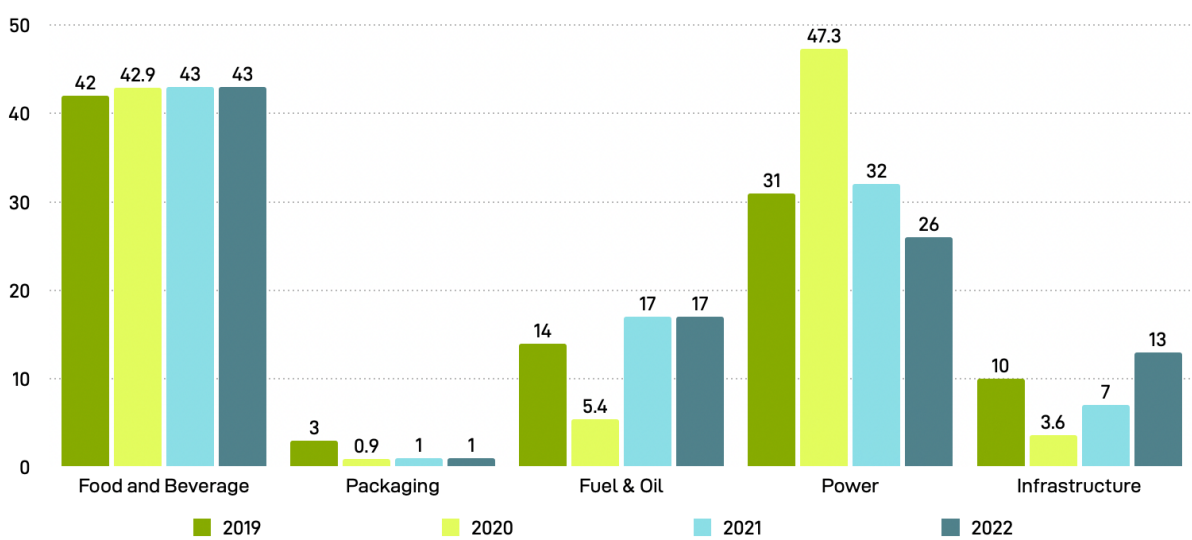


In terms of operating income, 2021 showed a recovery with a 64% increase compared to 2020 levels and even higher than the full-year pre-pandemic level in 2019. Fuel and Oil was greatly affected during the pandemic with an operating loss of 6%, but ultimately recovered in 2021 with a share of 17%. Meanwhile, consolidated net income registered at Php 48.2 billion, a 120% increase from 2020 levels. In 2022, operating income went upward to Php 134.5 billion, or 10% from last year. This income was made possible by key businesses of the company such as Petron, San Miguel Food and Beverage, San Miguel Packaging, and SMC infrastructure. On the other hand, the consolidated net income of the company went down to Php 43.2 Billion due to the impact of unrealized losses on the revaluation of its foreign currency-dominated long-term debt. In the first quarter of 2023, the consolidated operating income is up 8% or Php 35.1 billion.

**Figure 1. SMC Business Contributions to Revenue and Operating Income**



**Percentage Contribution by Operating Income**



Source: SMC, 2022 Annual Report. p. 16

## Shareholders

As of March 2023, the majority shareholder of SMC is Top Frontier Investment Holdings, Inc., which owns 59.739 % of total outstanding shares<sup>2</sup>. Top Frontier Investment Holdings, Inc. is an investment holding company that operates through the following segments: Beverage, Food, Packaging, Energy, Fuel and Oil, Infrastructure, Telecommunication, and Mining. The Energy segment engages in power generation, distribution and trading, and coal mining. The Fuel and Oil segment refines and markets petroleum products.<sup>3</sup>

The biggest shareholder and current chairman of Top Frontier Investment Holdings, Inc. is Iñigo U. Zobel, cousin of Jaime Zobel de Ayala. Iñigo U. Zobel owns 59.96% of Top Frontier Investment Holdings, Inc. shares. Following Iñigo U. Zobel in the list of shareholders of Top Frontier Investment Holdings, Inc. are Master Year Limited and Privado Holdings, Corp with 14.96% and 11.06%, respectively. Ramon S. Ang is the sole director and shareholder of Master Year Limited and the Chairman of Privado Holdings, Corp. BPI Securities Corporation also owns shares in Top Frontier Investment Holdings, Inc., albeit a small percentage at 0.019%.

Top Frontier Investment Holdings, Inc. is followed by Privado Holdings, Corp. (15.44%), public ownership, the Government, Petron's employees, and others.<sup>4</sup>

**Table 1. The Top 10 Corporate Stockholders of SMC<sup>5</sup>**

Ranking	Stock Holder Name and Rank	Total Common Shares	% of Outstanding Shares
1st	Top Frontier Investment Holdings, Inc	11,424,111,661	59.739 %
2nd	Privado Holdings, Corp.	368,140,516	15.443 %
3rd	PCD Nominee Corporation (Filipino)	291,628,293	12.233%
4th	PCD Nominee Corporation (Non-Filipino)	115,482,456	4.844 %
5th	Republic of the Philippines	27,636,339	1.159 %
6th	Petron Corporation Employees' Retirement Plan	12,237,100	0.513 %
7th	Millennium Energy, Inc.	10,807,380	0.453 %
8th	Sysmart Corporation	5,100,607	0.214 %
10th	Marine Shore Investment Holdings, Inc.	2,089,660	0.088 %
11th	Everett Steamship Corporation	1,903,330	0.08 %

**Table 2. The Top 10 Individual Stockholders of SMC**

Ranking	Stock Holder Name and Rank	Total Common Shares	% of Outstanding Shares
9th	Soledad O. Cojuangco	2,297,222	0.096 %
13th	Ramon S. Ang	1,345,429	0.056 %
14th	Macrina Leyson	1,144,752	0.048 %
19th	Cheng Siok Tuan	689,113	0.029 %
21st	Jaime Dee	624,544	0.026 %
24th	Luisa Co	582,874	0.024%

28th	Francisco C. Yap and/or Leonora W. Yap and/or Teresa W. Yap	441,751	0.019 %
29th	Ferdinand K. Constantino	415,092	0.017 %
30th	Marcos O. Cojuangco	382, 870	0.016 %
31st	Margarita O. Cojuangco-Barrera	382, 870	0.016 %

It is worth noting that among the stockholders of SMC are Catholic Church-affiliated institutions (Table 3). In recent years, the Catholic Bishops' Conference of the Philippines (CBCP) has shown great leadership in finance and corporate engagement for energy transition.

In its pastoral statement entitled "A Call for Unity and Action Amid a Climate Emergency and Planetary Crisis",<sup>6</sup> the CBCP made the critical commitment to call for action from its congregation and accountability from financial institutions, energy and extractive companies, and government leaders to turn away from fossil fuels, particularly coal and fossil gas, in keeping with the ideals of ecological and social justice, equity, and stewardship of our Common Home, especially in the face of an enduring pandemic.

**Table 3. The Church-Affiliated Stockholders of SMC**

Rank	Stock Holder Name and Rank	Total Common Shares	%of Outstanding Shares
15 <sup>th</sup>	Carmel of the Divine Infant Jesus of Prague Inc. A/C No. 2	957,516	0.040166%
17 <sup>th</sup>	The Roman Catholic Bishop of Tuguegarao	856,639	0.035934%
18 <sup>th</sup>	Real Monasterio de la Purisima Concepcion de Nuestra Madre Santa Clara de Manila	810,282	0.033990%
23 <sup>rd</sup>	Carmel of St. Therese of the Child Jesus	592,956	0.024873%
27 <sup>th</sup>	The Discalced Carmelite Nuns of Cebu	451,864	0.018955%
38 <sup>th</sup>	Religious of the Virgin Mary	333,649	0.013996%
42 <sup>nd</sup>	Carmel of our Lady, Mary Mediatrix of All Grace, Inc.	302,986	0.012710%
43 <sup>rd</sup>	Carmel of the Divine Infant Jesus of Prague Inc. A/C No. 1	295,402	0.012392%
52 <sup>nd</sup>	Religious of the Virgin Mary – A	265,277	0.011128%
63 <sup>rd</sup>	Roman Catholic Bishop of Bangued, Inc. – Cat Fund -	231,426	0.009708%
68 <sup>th</sup>	Prelature of San Jose, Antique	217,977	0.009144%
72 <sup>nd</sup>	St. Joseph's Convent of Perpetual Adoration	211,404	0.008868%
75 <sup>th</sup>	The Roman Catholic Archbishop of San Fernando	193,034	0.008097%
	<b>TOTAL</b>	<b>5,720,412</b>	<b>0.239961%</b>

## Board and officers

SMC is currently headed by Ramon S. Ang who holds the positions of Chairman, President, and Chief Executive Officer, taking over from Eduardo Cojuangco Jr., who passed away on June 16, 2020. The table below shows SMC’s Board of Directors and Key executives, and their respective positions.

**Table 4. SMC Board Members and Key Executives as of 2021**

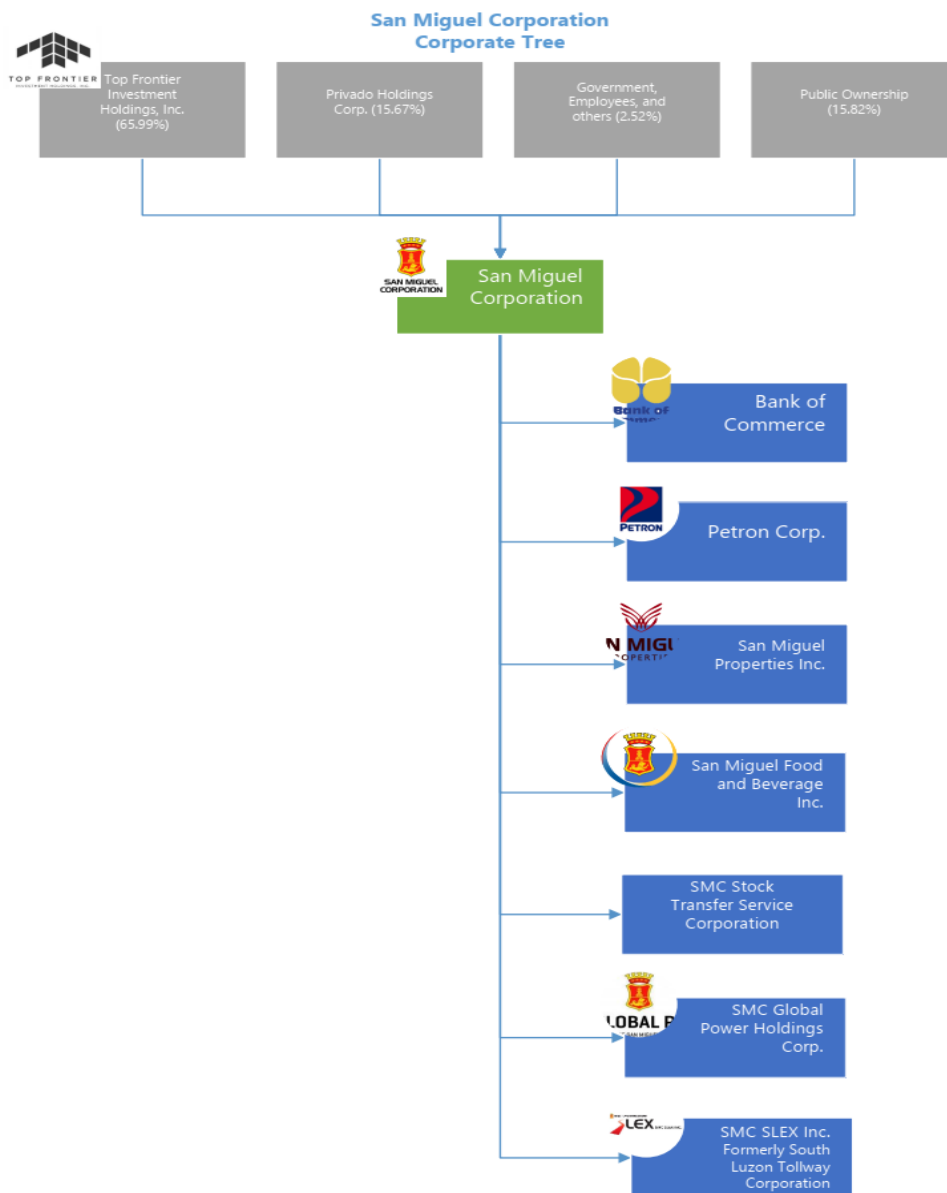
<b>Board Member</b>	<b>Position</b>
Ramon S. Ang	Vice Chairman, President and CEO
John Paul L. Ang	
Aurora T. Calderon	Member, Corporate Governance Committee
Joselito D. Campos, Jr.	Member, Related Party Transactions Committee
Jose C. de Venecia, Jr.	
Menardo R. Jimenez	Member, Executive Committee Member, Audit and Risk Oversight Committee
Estelito P. Mendoza	Member, Executive Committee Member, Audit and Risk Oversight Committee
Alexander J. Poblador	Member, Related Party Transactions Committee
Thomas A. Tan	
Ramon F. Villavicencio	
Iñigo Zobel	Member, Executive Committee
Teresita J. Leonardo-De Castro	Independent Director Chairman, Related Party Transactions Committee Member, Audit and Risk Oversight Committee
Diosdado M. Peralta	Independent Director Member, Audit and Risk Oversight Committee Member, Corporate Governance Committee
Reynato S. Puno	Independent Director Chairman, Corporate Governance Committee Member, Audit and Risk Oversight Committee Member, Related Party Transactions Committee
Margarito B. Teves	Independent Director Chairman, Audit and Risk Oversight Committee Member, Corporate Governance Committee Member, Related Party Transactions Committee
<b>Key Executives</b>	<b>Position</b>
Ferdinand K. Constantino	Chief Finance Officer and Treasurer
Virgilio S. Jacinto	Corporate Secretary and General Council
Roberto N. Huang	Chief Operating Officer - Beer President, San Miguel Brewery Inc.
Carlos Antonio M. Berba	Managing Director, San Miguel Brewing International Ltd.
Francisco S. Alejo III	Chief Operating Officer - Food President, San Miguel Foods
Emmanuel B. Macalalag	Chief Operating Officer - Spirits General Manager, Ginebra San Miguel Inc.

Ferdinand A. Tumpalan	President, San Miguel Yamamura Packaging Corporation
Lubin B. Nepomuceno	General Manager, Petron Corporation
Elenita D. Go	General Manager, SMC Global Power Holdings Corp.
Lorenzo G. Formoso III	Senior Vice President and head, San Miguel Holdings Corp.
Karen V. Ramos	General Manager, San Miguel Properties, Inc.
Rodelia S. Sarrosa	Officer-in-charge, Northern Cement Corporation

### Subsidiaries and affiliates

According to the SMC corporate tree, there are five listed subsidiaries, namely: San Miguel Properties Inc., SMC Stock Transfer Service Corporation, San Miguel Food and Beverage, Inc., SMC Global Power Holdings Corp, SMC SLEX Inc., while two are listed affiliates: Bank of Commerce and Petron Corporation.

**Figure 2. San Miguel Corporation Corporate Tree**



### III. SMC's Power Generation and Related Business

#### Over a decade of generating dirty and costly electricity

##### SMC Global Power Holdings Corp.

In the electric power industry, SMC has businesses in the generation and distribution sectors. For its power generation businesses, SMC consolidates its portfolio through its wholly owned subsidiary, SMC Global Power Holdings Corp. (SMCGP), one of the largest power companies in the Philippines. Established in 2008, SMCGP has maintained its 19-21% share of the national installed capacity since 2009. As of December 31, 2022, SMCGP and its subsidiaries control 4,719 MW of combined installed capacity from its range of plants using coal, fossil gas, and renewable energy sources. This translates to about 19% of the national grid, 26% of the Luzon grid, and 7% of the Mindanao grid.<sup>7</sup>

SMCGP is one of the largest power suppliers of Meralco, providing 26% of Meralco's total purchases in March 2022. In the national market, SMCGP reports that it holds the top spot with a market share of 24%, followed closely by First Gen (21%), GNPowr (10%), PSALM (7%), MPower (5%), Quezon Power (4%), and Aboitiz (4%).<sup>8</sup>

In 2021, SMCGP and its subsidiaries consolidated revenues registered at Php 133.7 billion, about 16% higher than Php 115.03 billion in 2020. Higher average realization of bilateral rates, higher spot prices in the Wholesale Electricity Spot Market (WESM), and additional revenues from the operation of Unit 3 of Masinloc Power Partners Co. Ltd (MPPCL) were the main drivers of the revenue increase. Meanwhile, net income declined by 15%, from Php 18.87 billion in 2020 to Php 15.98 billion in 2021.<sup>9</sup>

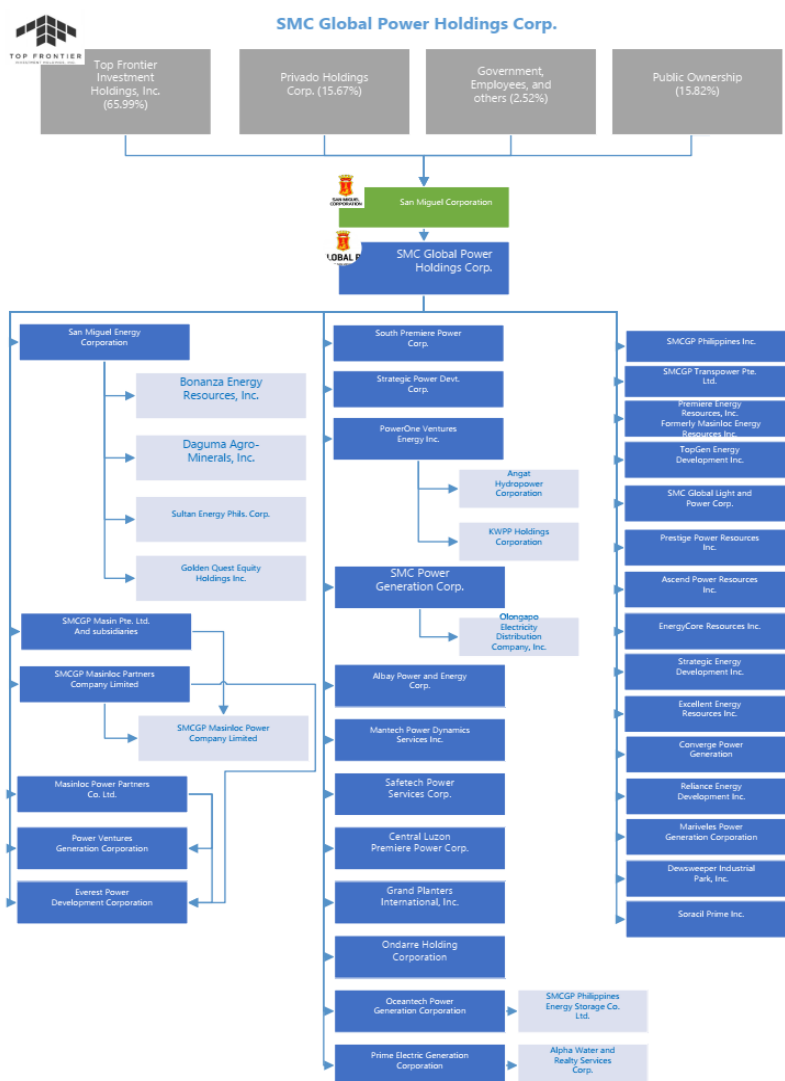
As of December 31, 2021, SMCGP has eight stockholders. Among them are seven individuals with at least 500 shares each (Table 5).<sup>10</sup>

**Table 5. The Stockholders of SMCGP**

Ranking	Stock Holder Name and Rank	Number of Common Shares	% of Outstanding Share
1	San Miguel Corporation	1,250,000,500	100%
2	Ramon S. Ang	500	nil
3	John Paul L. Ang	500	nil
4	Aurora T. Calderon	500	nil
5	Virgilio S. Jacinto	500	nil
6	Jack G. Arroyo	500	nil
7	Consuelo M. Ynares-Santiago	500	nil
8	Josefina Guevara-Salonga	500	nil

SMCGP has numerous subsidiaries, including 26 wholly-owned power generation companies, 3 wholly-owned retail and other power-related services companies, and 3 wholly-owned coal mining companies. Figure 3 shows the corporate tree of SMCGP.

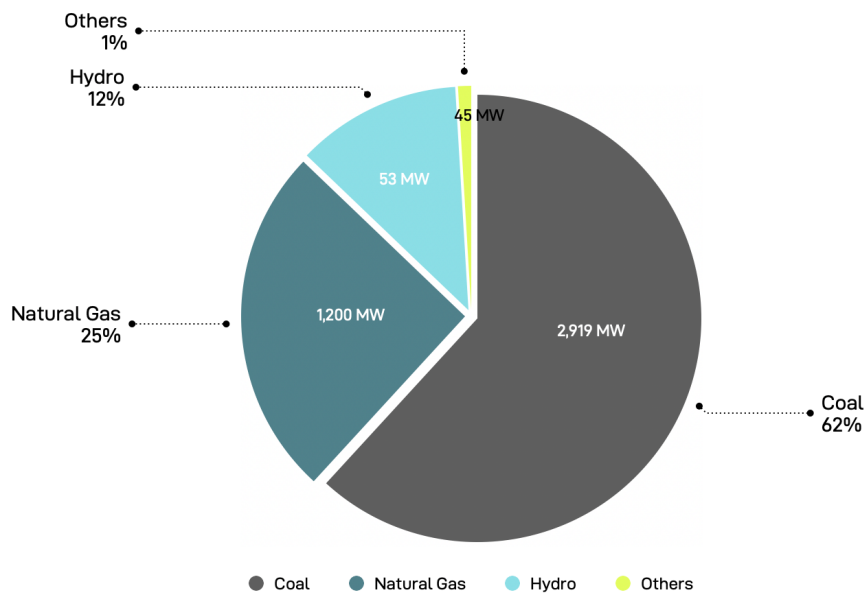
**Figure 3. SMCGP Corporate Tree**





### Combined Installed Capacity Mix

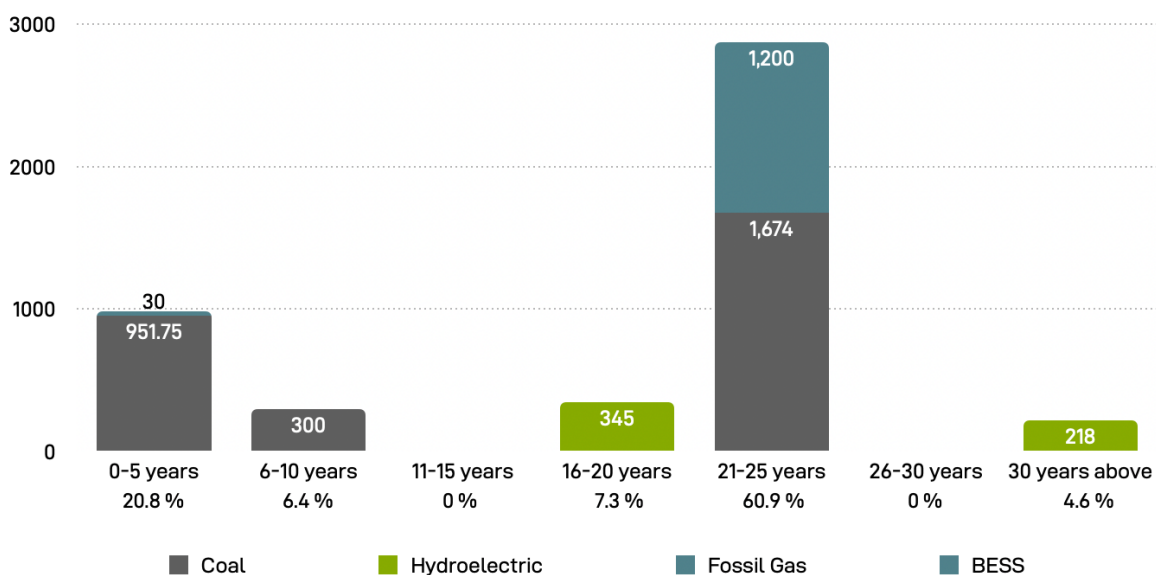
**Figure 4. SMCGP Installed Capacity Mix as of December 2022 (MW)**



Source: SMCGP, Preliminary Prospectus May 2022, p.92

SMCGP’s generation portfolio is predominantly composed of coal-fired power plants (CFPP). Based on the current combined capacity mix of all of its power generation subsidiaries and affiliates, SMCGP has a combined installed coal-fired power plant capacity of 2,919 MW or 62% of the total mix. Of the 62% coal mix, about 36% or 1,674 MW of the total installed capacity use pulverized coal technology, while the remaining 26% or 1,252 MW uses supercritical and circulating fluidized bed (CFB), which is considered to be a more efficient technology.<sup>6</sup>

**Figure 5. SMCGP Installed Capacity by Age Group (MW)**



Majority of SMCGP's installed capacity has been operating for quite some time. About 73% of its total installed capacity has been operating for more than 16 years. As shown in the figure above, 60.9% of SMCGP's current installed coal and gas-fired power plant capacity or 2,874 MW in total, has been operating for 21-25 years. The company also has hydroelectric capacity, 345 MW of which has been operating for 16-20 years and 218 MW which has been operating for more than 30 years. Clearly, SMCGP's installed capacity is being run by aging power plants. Despite this, the management of SMCGP or its parent SMC has yet to discuss any policies or plans to phase out such aging power plants, particularly fossil fuel-fired power plants that have been operating for several decades.

## Coal Power Generation

### Operating coal-fired power plants

SMCGP through its subsidiaries operate a total of four coal-fired power plants with a combined installed capacity of 2,919 MW. The largest of which is the 1,019 MW Masinloc Power Plant in Zambales, followed by the 1,000 MW Sual Coal-fired Thermal Power Plant in Pangasinan. The other two power plants include the 600 MW Limay Power Plant in Bataan with Circulating and the 300 MW Malita Power Plant in Davao Occidental. Approximately 90% of SMCGP's installed capacity is situated in Luzon while the remaining 10% is in Mindanao. Table 6 shows SMCGP's operating coal plants.

Through its Independent Power Producer Administration (IPPA) agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM), SMCGP through its subsidiary, San Miguel Energy Corporation (SMEC), oversees the output of the 1,000 MW Sual Coal-fired Thermal Power Plant in Pangasinan. As an Independent Power Producer (IPP), SMCGP has the right to sell electricity generated without bearing any upfront capital expenditures for power plant construction or maintenance.

Built in 1999, the Sual Coal-fired Thermal Power Plant was constructed and developed by Team Energy under a Build, Operate, and Transfer (BOT) agreement with the Philippine government for 25 years<sup>11</sup>. In September 2009, SMEC entered an IPPA agreement with PSALM to serve as the administrator of the Sual Power Plant.<sup>12</sup>

To solidify SMCGP's hold on the energy industry, it also wholly owns three IPP assets: 1,019 MW Masinloc Power Plant in Zambales with Supercritical Technology (Masinloc Power Plant); 600 MW Limay Power Plant in Bataan with Circulating Fluidized Bed Technology; and the 300 MW Malita Power Plant in Davao Occidental with Circulating Fluidized Bed Technology.

The ownership of 1,019 MW Masinloc Power Plant traces back to 1990 when it was under the control of the Government's National Power Corporation (Napocor) to address the electricity deficit at the time. The construction of the power plant was met with fierce opposition, to the point that former president Fidel Ramos sent troops to control the opposing crowd.<sup>13</sup> Napocor eventually sold the Masinloc Power Plant to AES corp., an American company, in April 2007. In 2011, MPPCL, a joint venture of AES and Electricity Generating Public Company Limited (EGCO), Thailand's state-owned energy company, took over as the proponent for expanding the Masinloc Power Plant's Unit 3 and 4. Since then, MPPCL owned the power plant until its full acquisition by SMCGP in 2018.

On the other hand, SMCGP’s fully owned power plants from the beginning are the 600 MW Limay power plant in Bataan and the 300 MW Malita Power Plant both of which were commercially operational in 2017.

In 2013, SMCGP began constructing its two greenfield projects, 2 x 150 MW Davao Greenfield Power Plant and 4 x 150 MW Limay Greenfield Power Plant, and commenced commercial operations as early as May 2017. To further increase its power portfolio, SMCGP proceeded with acquisition deals, including the MPPCL and SMCGP Philippines Energy Storage Co. Ltd, which were part of its acquisition deal with Masin- AES Pte. Ltd. MPPCL owns and operates 330 MW Unit 1, 344 MW Unit 2, and eventually added Unit 3 with a capacity of 351.75 MW, and successfully started its operation in September 2020.<sup>14</sup>

### Proposed coal-fired power plants

The Department of Energy’s (DOE) coal moratorium policy which was made effective October 2020 resulted in the shelving of numerous coal-fired power plants from the pipeline. Among the 10 projects shelved, totaling 6,158 MW, 74% or 4,558 MW constitute SMCGP proposed projects. However, the coal moratorium did not rid the pipeline of all SMCGP projects, the 1,200 MW Mariveles Power Generation Corporation (MPGC) power plant in Mariveles, Bataan should be shelved based on the criteria provided by the coal moratorium policy but still remains in the pipeline. The 44 MW power plant of Petron Corporation in Limay, Bataan also remains in the pipeline.

Among the SMCGP projects shelved by the coal moratorium policy include planned power plants located in Pagbilao, Quezon that have a combined installed capacity of 2,130 MW and would have been operated by SMCGP’s wholly-owned subsidiaries, Central Luzon Premiere Power Corp. (CLPPC) and Lumiere Energy Technologies Inc. (LETI). The table below shows the existing and planned coal-fired power plants of SMC Group.

MPGC, a subsidiary of SMCGP, has begun constructing the 4 x 150 MW CFB coal-fired power plant as part of the company’s Mariveles Greenfield Project in Mariveles, Bataan. As of March 2022, site development is 54% done, and all turbines and generators were delivered. The target start of commercial operations is in 2023.<sup>15</sup>

The company is also planning to expand the Masinloc Power Plant by adding two 350 MW units with supercritical boiler technology with a target completion date in 2025.<sup>7</sup>

**Table 6. Status of SMCGP’s Coal-Fired Power Plants**

#	Status	Project	Rated Capacity (MW)	Location	Date of Commissioning
1	Operating	Sual Coal-Fired Power Plant	1,000	Pangasinan	October 1999
2	Operating	Masinloc Coal-Fired Power Plant Units 1-3	1019	Zambales	June 1998
3	Operating	Limay Coal-Fired Power Plant	600	Bataan	May 2017
4	Operating	Malita Power Plant	300	Davao Occidental	November 2016

5	Operating	Petron Corporation Refinery Solid Fuel-Fired Boiler Project Phases 1 & 2	140	Limay, Bataan	Phase 1: May 2013 Phase 2: May 2014
6	In the pipeline	Masinloc Coal-Fired Power Plant Units 4 & 5	700	Zambales	September 2024
7	In the pipeline	Petron Corporation Refinery Solid Fuel-Fired Boiler Project Phase 3	44	Limay, Bataan	December 2022
8	Should be shelved by the coal moratorium	MPGC Mariveles Power Plant	1200	Mariveles, Bataan	December 2022
9	Shelved	SMC Circulating Fluidized Bed Coal-fired power plant	600	Pagbilao, Quezon	N/A
10	Shelved	SMC Circulating Fluidized Bed Coal-fired power plant	600	Sariaya, Quezon	N/A
11	Shelved	SMC Luboc Malabuyoc Coal-fired Power Plant Project	300	Malabuyoc, Cebu	N/A
12	Shelved	SMC Global Negros Coal-Fired Power Plant Project	300	San Carlos, Negros Occidental	N/A
13	Shelved	CLPPC Pagbilao Power Plant	1420	Pagbilao, Quezon	N/A
14	Shelved	LETI Pagbilao Power Plant	710	Pagbilao, Quezon	N/A
15	Shelved	SMC Global Power Coal-Fired Power Plant Project	328	Sta. Cruz, Davao del Sur	N/A
16	Shelved	Expansion of SMC Malita Power plant project Phase II	300	Malita, Davao Occidental	N/A

## Fossil Gas and Liquefied Natural Gas

Natural gas, more appropriately called fossil gas, has the second largest share in SMCGP's current installed capacity mix, comprising 25% of its total capacity. Recently, the power generation of SMCGP's fossil gas power plants has been derated due to the Malampaya gas restrictions, resulting in a reduction of power supplied to its customers.

In 2010, SMC was awarded to be the IPP Administrator for the 1,200 MW Ilijan Natural Gas-fired Combined Cycle Power Plant in Batangas. Under the IPPA, SMCGP, through South Premier Power Corp. (SPPC), has the option to acquire the power plant in June 2022. Exactly on June 03, 2022, PSALM transferred the control and ownership of Ilijan Natural Gas-fired Plant to SPPC.<sup>16</sup> The majority offtaker of Ilijan Power Plant is Meralco with a total contracted capacity of 1,130 MW, including the 170 MW for mid-merit.

SMCGP seeks to expand the Ilijan plant with plans to build a 3x850 MW power plant and an import terminal by 2024. They also plan to build small-scale LNG plants in eight to ten Visayas and Mindanao regions to boost rural electrification. These plants will aim to produce over 5,000 MW primarily from Ilijan.

### Proposed LNG Projects

Currently, SMCGP has eight gas-fired power plants in the pipeline, including 1.75 GW that is scheduled to be commissioned this year-end. Of the 29.9 GW in the pipeline gas-fired power plant projects in the country, SMCGP is responsible for 14.1 GW total combined capacity, or almost half of the proposed gas-fired plants.<sup>17</sup>

The epicenter of the proposed LNG projects is located in the province of Batangas. The province already houses five out of the six existing fossil gas power plants in the country. Besides Batangas, the proposed LNG projects are distributed across Zamboanga, Metro Manila, Negros Occidental, Leyte, and Cebu.

To further diversify its baseload portfolio away from traditional coal, SMCGP, through EERI, plans to construct a 1,313.1 MW combined cycle power plant in Barangays Ilijan and Dela Paz, Batangas, also known as the Batangas Combined Cycle Power Plant. The Batangas Combined Cycle Power Plant will utilize regasified LNG, and the Engineering, Procurement, and Construction (EPC) contract for this project was already signed in December 2021.

In March 2022, Reliance Energy Development Inc., a subsidiary of SMCGP, filed with the Department of Natural Resources (DENR) a proposal for a 4x75 MW LNG Combined Cycle Power Plant in San Carlos City, Negros Occidental to start construction in the third quarter of 2024. This is a Php 18.5 billion investment for the company within the San Carlos City Ecozone. An on-shore LNG terminal facility will be constructed adjacent to the power plant to store and re-gasify the LNG to be delivered through barging.

These projects are part of SMC’s plan for a massive expansion of LNG projects. SMEC has also applied with the DOE a request to conduct a System Impact Study for a 6,492 MW Navotas LNG Power Plant that, according to SMC President Ramon Ang, is in the pipeline for SMC within the next 25 years. San Miguel Consolidated Power Corp., another subsidiary, also applied for the same request for a planned 300 MW Sangali LNG Project in Zamboanga City.

**Table 7. List of Fossil Gas Power Plants Operated and Planned by SMC Group**

#	Status	Project	Rated Capacity (MW)	Location
1	Operating	2x600 MW Ilijan Power Plant (Proponent: KEPCO; Parent/Administrator: South Premier Power Corporation)*	1,277	Ilijan, Batangas, Luzon
2	In the Pipeline	Combined Cycle Power Plant (Proponent: EERI; Parent: SMC) <sup>a</sup>	875	Limay, Bataan, Luzon
3	In the Pipeline	Batangas Combined Cycle Power Plant (Proponent: EERI; Parent: SMC) <sup>b</sup>	1,750	Ilijan & Dela Paz, Batangas, Luzon

4	In the Pipeline	SMC Ilijan LNG Power Plant <sup>c</sup>	3,600	Batangas, Luzon
5	In the Pipeline	Navotas LNG Power Plant	6,492	Metro Manila, Luzon
6	In the Pipeline	3000 MW LNG Combined Cycle Power Plant (Proponent: REDI; Parent: SMC)	300	Punao & Palampas, San Carlos, Negros Occidental, Visayas
7	In the Pipeline	Mactan LNG Power Plant	600	Mactan Island, Cebu
8	In the Pipeline	Tabango LNG Power Plant (Proponent: Prestige Power Resources; Parent: SMC)	600	Tabango, Leyte, Visayas
9	In the Pipeline	Sangali LNG Project	300	Zamboanga, Mindanao

<sup>a b c</sup> Based on the limited available data, it is uncertain if these projects are unique from each other.

## Hydroelectric Power Generation

Although SMCGP's installed capacity mix remains dominated by coal and fossil gas, a large component constituted by hydroelectric power plants contributes to the company's efforts to develop renewable energy sources. The hydroelectric power capacity lying in wait in the pipeline will contribute to a surge of renewable energy capacity in SMCGP's installed capacity mix by 2030.

Electricity generation from hydroelectric power sources has become one of the major components of SMC's power generation business. It comprises 11.9% of the SMC's total generation mix as of March 2022, as shown in Figure 4. SMCGP, through its subsidiaries, operates two existing hydroelectric power plants, both located in Luzon, with a combined installed capacity of 653 MW. SMCGP's hydroelectric capacity in Luzon is projected to grow as 2,330 MW of planned capacity is located in Luzon.

Through the PSALM IPPA agreements, SMC oversees the output of the 345 MW San Roque Hydroelectric Power Plant in Pangasinan. SMC is also in a joint venture with 60% ownership, through its subsidiary PowerOne Ventures Energy Inc. (PVEI), with Korea Water Resources Corporation for the operation and maintenance of the 218 MW Angat Hydroelectric Power Plant in Bulacan.

In 2021, it was announced that Strategic Power Development Corp., a wholly owned subsidiary of SMCGP, would build a 300 MW hydropower facility in Malay, Aklan. This facility worth Php 26.3 billion was scheduled to begin site installation in the first quarter of 2022 with construction set to finish by 2026. This new hydropower facility is in addition to three hydropower projects by SMC approved by the DOE in 2017 namely the 10 MW Nabuangan run-of-river plant in Apayao, the 500 MW Dingalan pumped storage plant in Aurora, and the 400 MW San Roque lower east pumped storage in Benguet, among others.



**Table 8. Status of Hydroelectric Power Plants operated by SMC Group<sup>18 19 20</sup>**

#	Status	Project	Rated Capacity (MW)	Subsidiary/ Affiliate	Location	Date of Commissioning
1	Operating	Angat Main and Angat Aux	218	PowerOne Ventures Energy Inc. (PVEI) <sup>21</sup>	Bulacan	Angat Main - Oct 1967 Angat Aux - Jun 1986
2	Operating	San Roque Hydroelectric Power Plant	435	Strategic Power Development Corporation	Pangasinan	May 2003
3	In the Pipeline	Angat Run-of-River Hydroelectric Power Project	10	Strategic Power Development Corporation	Bulacan	No information available
4	In the Pipeline	Upper Nabuangan Hydroelectric Power Project	10	Strategic Power Development Corporation	Apayao	No information available
5	In the Pipeline	Nabuangan River Hydroelectric Power Project	10	Strategic Power Development Corporation	Apayao	2026
6	In the Pipeline	San Roque Upper East Pump Storage Hydroelectric Power Project	600	Strategic Power Development Corporation	Benguet	2030
7	In the Pipeline	San Roque West Pump Storage Hydroelectric Power Project	400	Strategic Power Development Corporation	Benguet	2030
8	In the Pipeline	Dingalan Pumped-Storage Hydroelectric Power Project	500	Strategic Power Development Corporation	Aurora	2032
9	In the Pipeline	San Roque Lower East Pumped-Storage Hydroelectric Power Project	400	Strategic Power Development Corporation	Benguet	2032
10	In the Pipeline	Aklan Pumped-Storage Hydroelectric Power Project	300	Strategic Power Development Corporation	Aklan	2030
11	In the Pipeline	Bulsa Pumped Storage Hydroelectric Power Project	100	Strategic Power Development Corporation	Tarlac	No information available



## Other Renewable Energy Projects

Apart from a promising future for the development of SMCGP's hydroelectric power capacity, the company also has major plans to develop other renewable energy projects across the country. The efforts toward the development of renewable energy projects, which would result in lesser dependence on fossil fuels, put in question the company's growing fossil fuel exposure as a result of the parallel push for existing coal project expansion and the massive fossil gas and LNG development.

Part of the renewable energy pipeline is multiple solar projects with a combined capacity of 800 MWp spread across identified sites in Luzon with enough solar power potential, including the provinces of Bataan and Isabela. The lease agreements have been carried out already for the two locations. The Certificate of Registration and Solar Energy Operating Contract were secured from the DOE with a 130 MWp in Bataan.

SMCGP has also announced that they are planning to build a 200 MW solar farm with a battery energy storage facility in Bulacan to help power its New Manila International Airport mega project.

In 2018, SMC also expressed its intention to invest up to 10 GW of RE projects in the next 10 years. This includes hydropower, solar, wind, and ocean tidal technologies.

However, SMC has not presented any plan or roadmap for achieving the said capacity. Nevertheless, a 10 GW improvement in their RE capacity is a welcome development. This is at least 17 times larger than the current installed RE capacity of SMCGP. From a country perspective, the 10 GW is a 124% improvement to the current national installed RE capacity of 8,068 MW.

## Battery Energy Storage System (BESS)

Another big project initiated by SMCGP is the addition of Battery Energy Storage System (BESS) to its power portfolio. BESS is an important technology that addresses the variability of solar and wind. This is a key development that will go hand in hand with SMCGP's intention to invest up to 10 GW in RE projects. BESS facilities could address concerns regarding the intermittency of variable RE and inflexibility of the grid. According to SMC President Ang, SMC's energy storage facilities can support the integration of over 5,000 MW of renewable power sources into the grid.

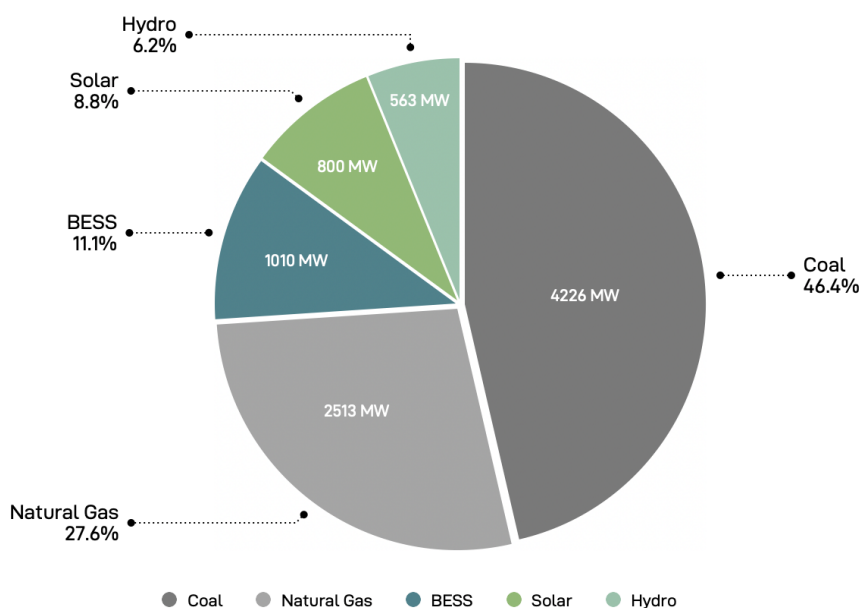
In effect, the more BESS facilities come into operation, the less need there should be for coal and fossil gas projects, including those proposed by SMC.

Currently, SMC has an existing 10 MWh in Masinloc and 20 MWh in Kabankalan, completed in December 2020, with the latter already started its commercial operation in January 2022 as an ancillary service provider to the NGCP.

SMCGP, through its subsidiaries—Universal Power Solutions, Inc. (UPS), MPPCL, and SMCGP Philippines Energy—is committed to expanding its BESS portfolio to 1,000 MWh nationwide.

Of these 1,000 MWh combined capacity of 32 BESS facilities, 690 MWh is already in the construction, testing, and commissioning phase across 21 new BESS facilities and is expected to be ready by the end of 2022 while the remaining 290 MWh is spread across 10 sites and expected to be completed in 2023. Most recently, in March 2023, SMC inaugurated its 90-MWh BESS facilities in Limay, Bataan.

**Figure 6. Estimated Installed Capacity Mix in 2025**



Source: SMCGP, Preliminary Prospectus May 2022, p.92

The total estimated installed capacity mix by SMCGP and its subsidiary in 2025 is 9,127 MW. Coal share reduced from 61.8% to 46.4% in 2025, but the total combined capacity increased to 4,226 MW from 2,926 MW because of the planned projects in Mariveles and Masinloc. Fossil gas more than doubled its capacity due to the 1313.1 MW Batangas Combined Cycle Power Plant.

With the addition of 800 MWp solar capacity, RE share shows a slight improvement in 2025 with a total share of 15% from 13% in 2022. Meanwhile, BESS capacity translated to 11.1% of the estimated generation portfolio in 2025.

### Power Supply Agreements

SMCGP through its subsidiaries has entered into Power Supply Agreements (PSA) with Distribution Utilities to provide electricity based on the contracted volumes over a certain period. This is done through Competitive Selection Process (CSP) as prescribed by DOE under Department Circular No. DC 2015-06-0008, as amended by DC No. 2018-02-0003 and DC No. 2021-10-0030. Figure 7 shows that the NCR region has the largest contracted volume with SMCGP at 63.9% mainly attributed to Meralco, followed by Region 2 (9.5%), and Region 1 (7.8%). In Luzon, 28 DUs<sup>22</sup> have existing contracts with SMCGP, with Meralco having the majority of the contracted capacity. In Visayas, only CEBECO II and BOHECO I have existing contracts with SMCGP. Meanwhile, 11 DUs have existing PSAs in Mindanao, with DLPC having the majority share at 37%, followed by ZAMCELCO at 21.6%, and DANECO at 12.3%, as illustrated in Figure 8.

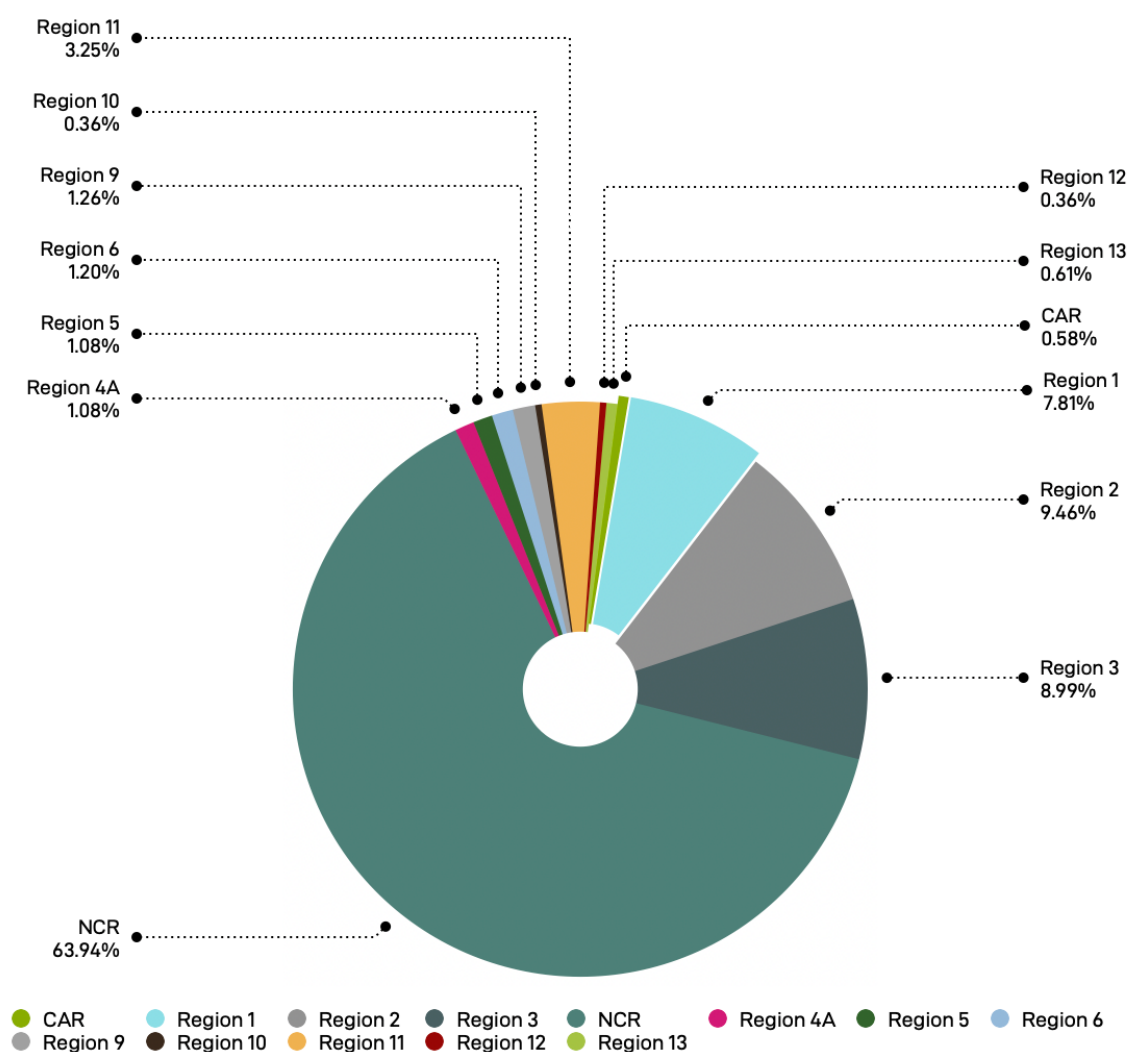
On March 2023, MPPCL and EERI withdrew their proposed 20-year Power Supply Agreements with MERALCO that is pending in the ERC since 2021. In the said PSAs. EERI proposed to deliver 1,200 MW of power from its under-construction fossil gas power plant in Ilijan, Batangas in 2024 for 4.1462 php/kWh while MPPCL proposed to deliver 600 MW of power from its coal power plant in Masinloc, Zambales in 2025 for 4.2605 php/kWh. SMC has yet to disclose the reason behind these PSA withdrawals.

A close examination of the PSAs shows that across the country, the majority of power supply provided by SMCGP to DUs comes from coal and fossil gas power. As one of the biggest players in the power generating sector, SMC's massive pipeline of proposed fossil gas and LNG projects spells an even bigger dependence on fossil fuels for the many DUs and ECs looking to secure supply contracts.

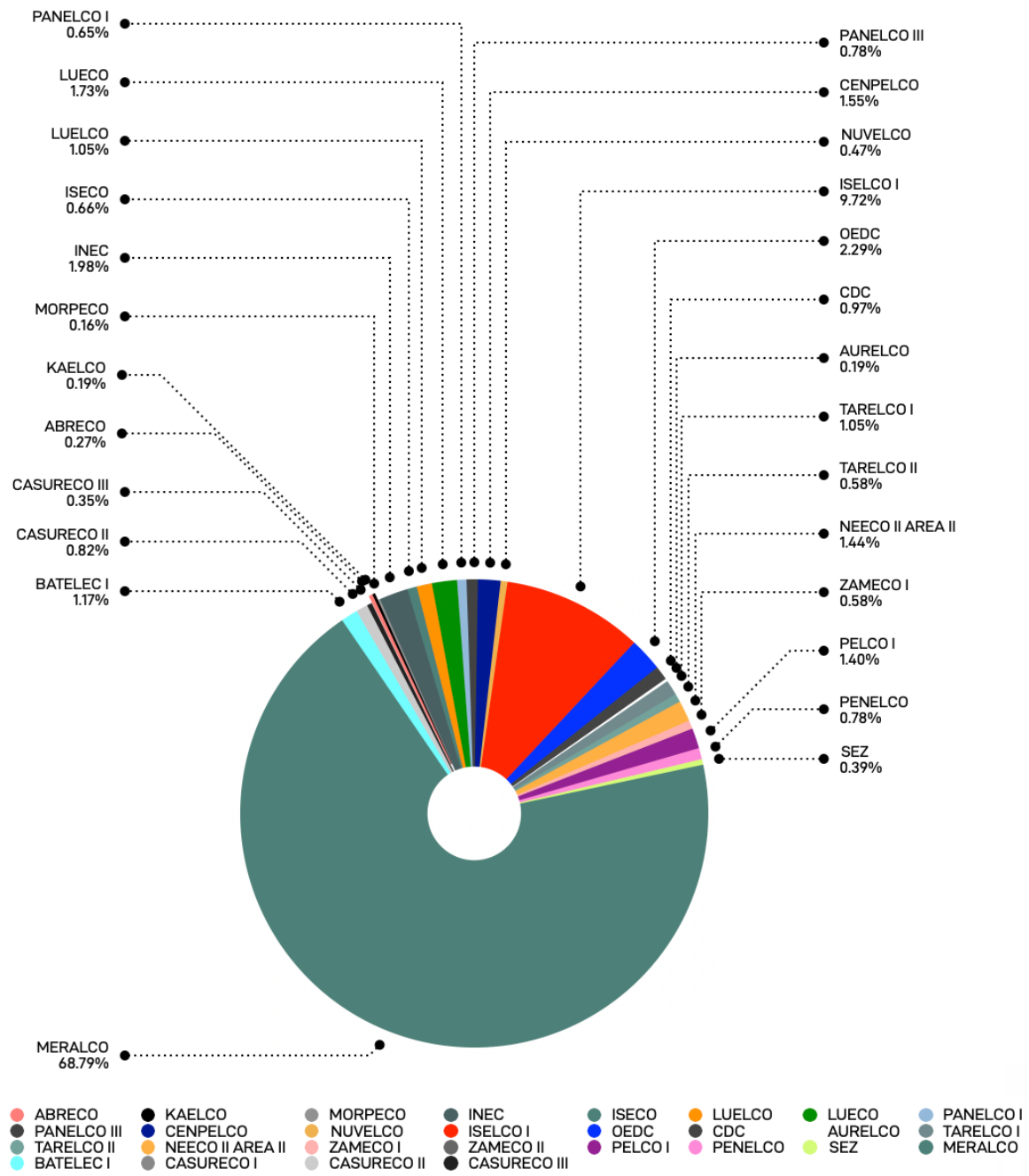
Dependence on SMC's fossil fuel-dominated supply exposes electric consumers to long-term contracts that provide unreliable and expensive supply. The list of PSAs between SMC-owned generation companies, and DUs and ECs show that electric consumers across the regions are vulnerable.

This list includes PSAs that have been declared null and void by the Supreme Court in its landmark decision in the case *Alyansa v. ERC, et al.*<sup>23</sup> which is further discussed in Chapter IX of this report.

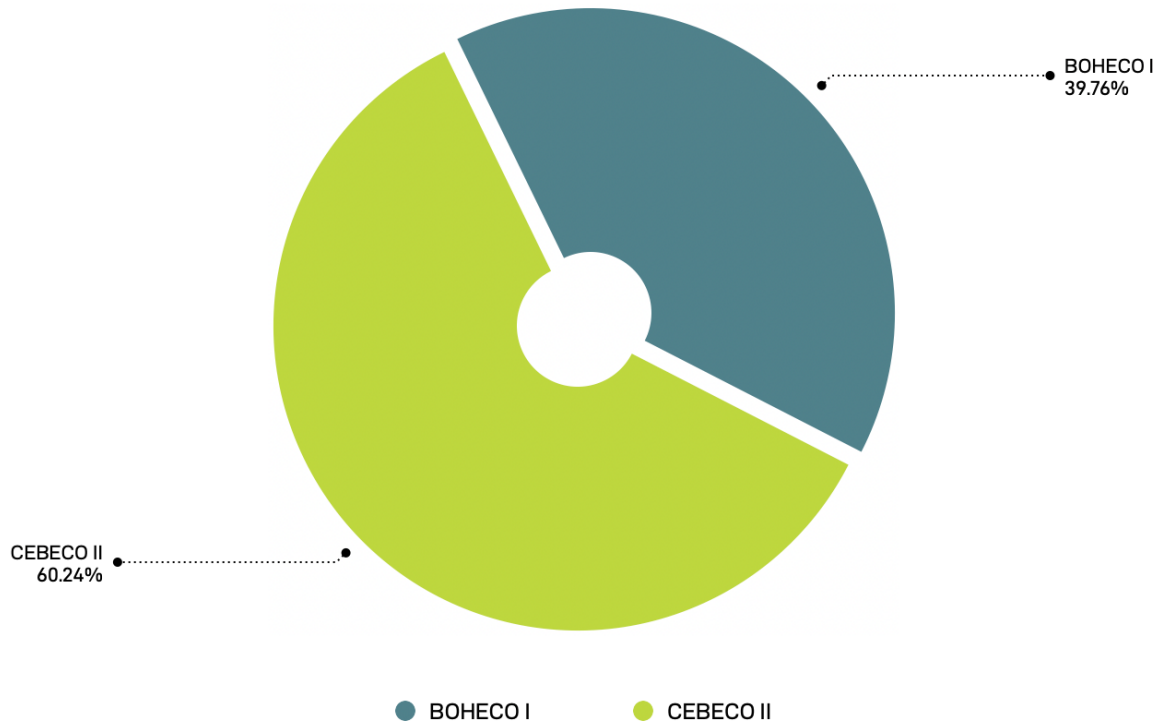
**Figure 7. Share of SMCGP Contracted Volumes per Region as of 2023 (MW)**



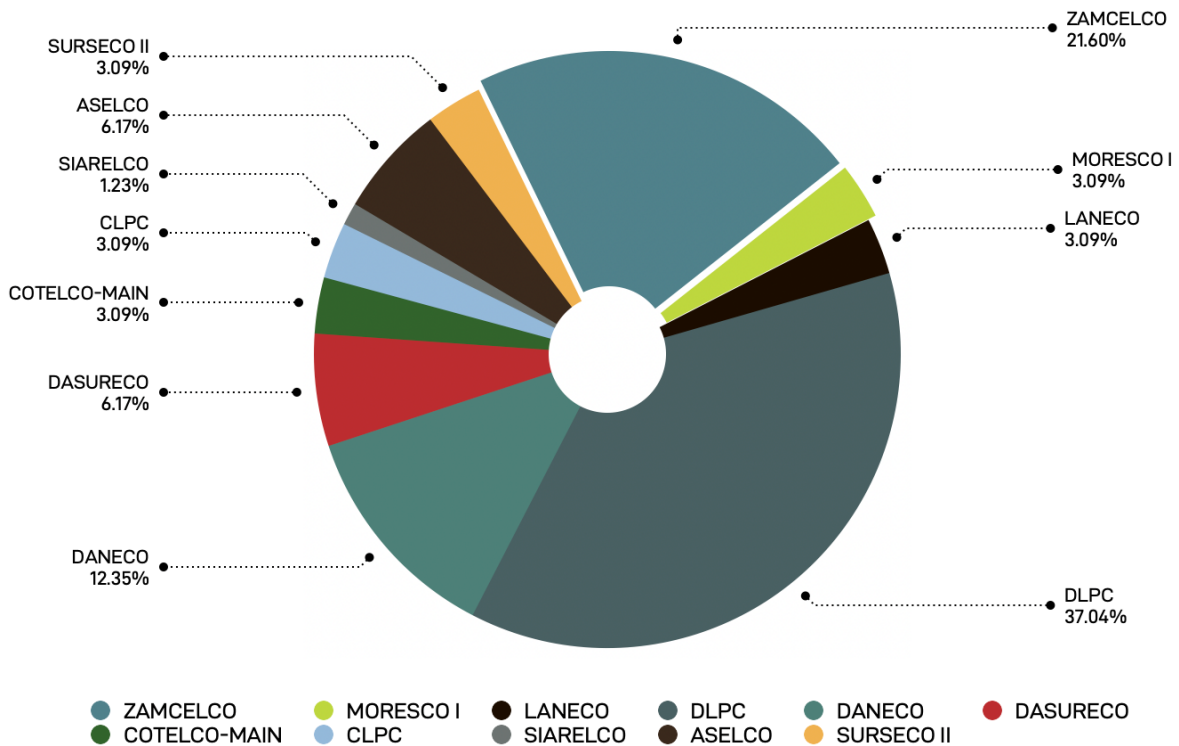
**Figure 8. Share of SMCGP Contracted Volumes in Luzon, Visayas, and Mindanao as of 2022 (MW)**  
**Luzon**



### Visayas



### Mindanao



## Fuel Supply

SMCGP's coal supply is obtained primarily through importation. Table 9 shows the fuel suppliers of the power plants operated or owned by SMCGP. All CFPPs operated or owned by SMCGP have coal supply agreements with Indonesian and Singaporean companies. These contracts are subject to price adjustment based on the quality of coal delivered and are linked

to the Global Coal Newcastle Index benchmark. About 80-90% of SMCGP coal supply is sourced from Indonesia.

Most of the power supply agreements between generating companies and distribution utilities have a fuel pass-through structure and the dependence on imported coal exposes customers and end-users to the volatility of coal prices.

SPPC Ilijan sources its fuel from locally-produced fossil gas from Malampaya Field. However, the local gas field production has started declining and it is expected to continually decrease until 2027 when it will be completely depleted.<sup>24</sup> With the looming shutdown, companies including SMCGP are now shifting their investments to imported LNG, another cause of energy insecurity and exposure to price volatility.

### PT Bara Tabang

PT Bara Tabang, also known as Bayan, is based in Jakarta, Indonesia. It is one of the largest coal producers in Indonesia and is currently ranked third in terms of production and sales volume.<sup>25</sup> Currently, three out of four power plants of SMCGP have a coal supply agreement with Bayan.

### Vitol Asia Pte. Ltd

Vitol, founded in 1966 and based in Singapore, is mainly focused on the energy markets business. Energy distribution and energy-related solutions are the core of its business. This includes oil and oil product trading, shipments, storage, and even sustainable energy solutions such as renewables.<sup>26</sup> Two out of four SMCGP CFPPs have coal supply agreements with Vitol.

**Table 9. Fuel Supplier of Power Plants Owned or Operated by SMCGP**

Power Plant	Fuel Supplier	Details
<b>Sual CFPP (Pangasinan)</b>	Vitol Asia Pte. Ltd., PT Trubaindo Coal Mining	Coal Supply Agreement effective until December 31, 2023, linked to Global Coal Newcastle Index
<b>SCPC CFPP (Bataan)</b>	PT Bara Tabang	Coal supply agreement effective until 2022, January 31, 2029 and January 31, 2032
<b>SMCPC CFPP (Davao)</b>	PT Bara Tabang	Coal supply agreement effective until January 31, 2029 and January 31, 2032
<b>Masinloc CFPP (Zambales)</b>	Vitol Asia Pte. Ltd, spot supply	Terms are linked to Global Coal Newcastle Index
<b>SPPC Ilijan (Batangas)</b>	National Power Corporation - Camago-Malampaya Field	Fossil gas is transported to a 15 km onshore pipeline
<b>San Roque Hydropower (Pangasinan)</b>	NPC water rights - Agno River	Limited by Irrigation Diversion Requirements set by National Irrigation Administration
<b>Angat Hydropower (Bulacan)</b>	Water rights - MWSS, LGU Bulacan, NIA, and AHC	



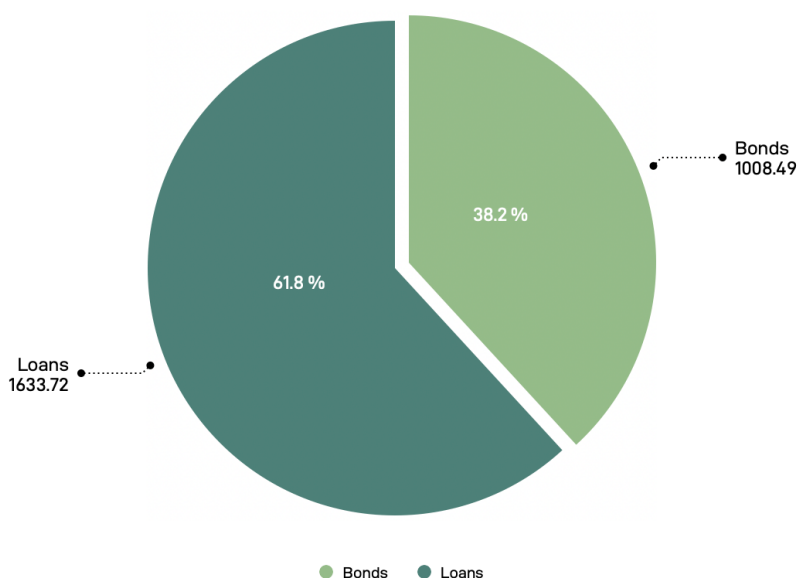
## Financing

SMCGP has entered into a number of financing arrangements, such as availing of long-term debts and issuance of Senior Perpetual Capital Securities (SPCS) and other securities to facilitate their acquisition of coal-fired power plants and investments on new power plants, as enumerated in Table 10.

For the construction and expansion of CFPPs, SMCGP has secured the following financial transactions:

- ▶ January 2018, drawing of Php 2 billion from the Php 44 billion Omnibus Loan and Security Agreement (OLSA) to finance the ongoing construction of the 2 x 150 MW Limay Coal-fired Power Plant.
- ▶ March 2018, availment of USD 700 million floating interest term loan, USD 400 short-term bridge financing loans, USD 400 million floating interest term loan, and USD 650 million Redeemable Perpetual Securities (RPS) for the acquisition of Masinloc Group including the 2 x 315 MW Masinloc Power Plant, ongoing construction of Unit 3 and 10 MW battery energy storage project.<sup>27</sup>
- ▶ January 2019, drawing of USD 35 million from its USD 525 million Omnibus Expansion Facility Agreement (OEFA) to finance the ongoing construction of the 300MW expansion of Masinloc Power Plant.
- ▶ November 2019, drawing of an additional USD 40 million from USD 525 million OEFA to finance the additional 300 MW Masinloc Power Plant
- ▶ July 2019, drawing of Php 978 million from a Php 2.1 billion 12-year Omnibus Loan and Security Agreement with a syndicate of local banks for the financing of construction works for the Davao Greenfield Power Plant.
- ▶ March 2020, drawing of an additional USD 43 million to finance the construction of an additional 335 MW Unit-3 Masinloc Power Plant.
- ▶ July 2022, allocation of up to PHP 20 billion from the sale of PHP 30 billion fixed rate bond with an oversubscription option of up to PHP 10 billion.

**Figure 9. Loan and Bonds financing by SMCGP and its subsidiaries for Coal-Fired Power Plants (USD millions)<sup>28</sup>**



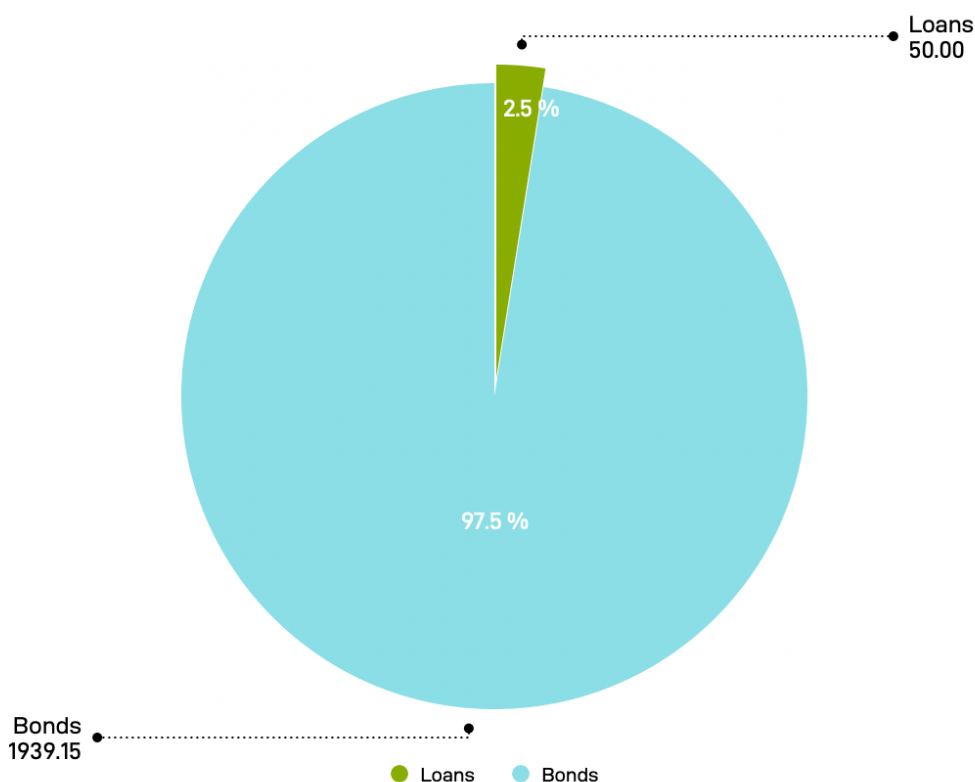


As for its LNG-related projects, SMCGP has issued SPCS in the past three years for the purpose of financing these projects, including:

- ▶ October 2020, USD 400 million worth of SPCS issued at a price of 100% with an initial rate of 7% per annum for. In-principle approval for the listing and quotation from Singapore Exchange Trading Ltd. (SETL).
- ▶ December 2020, USD 350 million worth of SPCS issued at a price of 102.457% with an initial rate of 7%, and listed on the SETL.
- ▶ April 2021, availment of USD 50 million from October 2020 loan facility agreement for capital expenditures related to Ilijan gas-fired power plant and its expansion, financing of LNG importation, and storage facilities, among others.
- ▶ June 2021, USD 600 million worth of SPCS issued at a price of 100% with an initial rate of 5.45% per annum, and listed on the SETL.
- ▶ September 2021, USD 150 million worth of SPCS issued at a price of 100.125% with an initial rate of 5.45% per annum, and listed on the SETL.
- ▶ July 2022, allocation of up to PHP 24.5 billion from the sale of PHP 30 billion fixed rate bond with an oversubscription option up to PHP 10 billion.

In April 2021, SMCGP also availed of its USD 50 million from its term loan facility with a foreign bank executed in October 2020. The proceeds of this loan are intended for the payment of capital expenditures of the Ilijan Natural Gas-fired Power Plant, funding of liquid natural gas import, storage, and distribution facilities, pre-operating and operating working capital requirements for BESS projects, and transaction-related fees, costs, and expenses of the facility.

**Figure 10. Loan and Bonds financing by SMCGP and its subsidiaries for LNG-related assets (USD millions)<sup>29</sup>**



**Table 10. List of Loans and Issuance of SPCS by SMCGP<sup>30</sup>**

Date of Issuance	Bank <sup>31</sup>	Type of Financing	Amount	Purposes
January 2022	Bank of China-Manila <sup>a</sup> Mizuho Bank Ltd <sup>a</sup> Bank of China(Hong Kong)Ltd <sup>b</sup> National Bank of Kuwait SAK <sup>b</sup>	Loan	USD 200 million	Capital Expenditures relating to expansion projects and payment of other transaction fees, costs, and expenses of the facilities.
September 2021	Mizuho Securities Co Ltd <sup>c</sup> Standard Chartered Bank <sup>c</sup> China Bank Capital Corp <sup>c</sup>	Bonds (SPCS)	USD 150 million	Investments in 1,313.1 MW Batangas Combined Cycle Power Plant, general corporate purposes
June 2021	Credit Suisse (Hong Kong) Ltd <sup>c</sup> DBS Bank Ltd <sup>c</sup> Mizuho Securities Asia Ltd <sup>c</sup> Standard Chartered Bank <sup>c</sup> UBS Singapore <sup>c</sup> BDO Capital Investment Corp <sup>c</sup> China Bank Capital Corp <sup>c</sup> PNB Capital & Investment Corp <sup>c</sup>	Bonds (SPCS)	USD 600 million	Investments in 1,313.1 MW Batangas Combined Cycle Power Plant, general corporate purposes
April 2021		Loan	USD 50 million	Payment of capital expenditures and expansion plans related to Ilijan Natural Gas-fired Power Plant, funding of LNG import, storage and distribution facilities, working capital requirements for BESS projects
December 2020	Credit Suisse <sup>c</sup> DBS Bank Ltd <sup>c</sup> Standard Chartered Bank <sup>c</sup> UBS <sup>c</sup> PNB Capital & Investment Corp <sup>c</sup>	Bonds (SPCS)	USD 350 million	Repurchase, refinancing, and redemption of existing USCS, investment in LNG facilities and related assets, general corporate purposes

October 2020	Merrill Lynch(Singapore) Pte Ltd <sup>c</sup> Credit Suisse (Hong Kong) Ltd <sup>c</sup> DBS Bank Ltd <sup>c</sup> Deutsche Bank (Singapore) <sup>c</sup> Hongkong & Shanghai Banking Corp Ltd <sup>c</sup> Mizuho Securities Asia Ltd <sup>c</sup> Standard Chartered Bank <sup>c</sup> UBS Singapore <sup>c</sup> PNB Capital & Investment Corp <sup>c</sup>	Bonds (SPCS)	USD 400 million	Capital expenditures and investments in LNG facilities and related assets, refinancing of expiring debt or perpetual securities, general corporate purposes.
March 2020		Loan	USD 43 million	Finance the construction of the 335 MW Unit 3-Masinloc Power Plant

<sup>a</sup>Arranger

<sup>b</sup>Participant

<sup>c</sup>Joint Book Runner

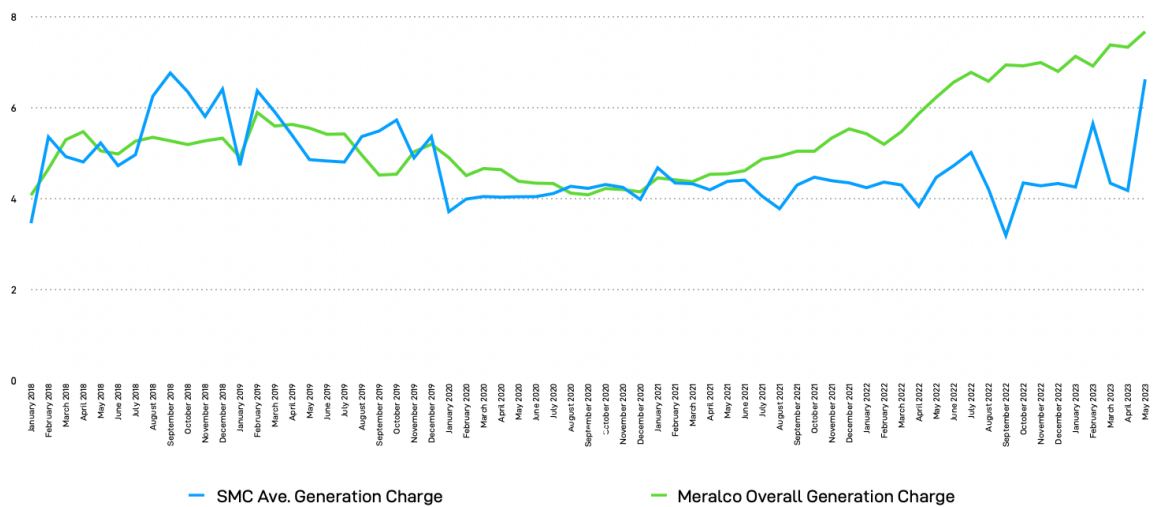
Source: Refinitiv, SMCGP Bonds Prospectus

### Generation Market Share Limitation

Section 45 of Electric Power Industry Reform Act of 2001 (EPIRA) limits the market share of a generating company to 30% per grid and 25% in the national grid in terms of installed capacity.<sup>32</sup> As of March 2022, SMCGP has a market share of 19% nationwide while 26% and 7% in Luzon and Mindanao, respectively. SMCGP has no existing power plants in the Visayas grid, which is why expanding its portfolio in the region may be a priority for the company. With its current market share per island grid, it can put up capacity up to 991.8 MW in the Visayas while estimated allowable capacities in Luzon and Mindanao are 724.5 MW and 945.3 MW, respectively. However, taking into account the overall market share, SMCGP can only expand its portfolio by 1,429.1 MW nationwide.<sup>33</sup>

## Generation Rates

**Figure 11. Average Generation Rate of SMC Power Plants with Bilateral Agreements with Meralco v. Meralco’s Overall Generation Charge (Php/kWh)<sup>34</sup>**



*\*SMC average generation rate includes SPPC - Ilijan Natural Gas Power Plant (baseload and mid-merit), SMEC Sual CFPP, MPPCL Masinloc CFPP (until January 2020), and SPPC’s EPSA effective April 2023.*

Figure 11 shows the historical trend of generation rates of SMC power plants charged to Meralco in comparison to Meralco’s overall generation charge<sup>35</sup>. The SMC average generation rate is composed of SPPC - Ilijan Natural Gas Power Plant, SMEC Sual CFPP, MPPCL Masinloc CFPP (until January 2020), and SPPC- Ilijan Natural Gas Power Plant (mid-merit starting April 2020).

In 2018, the overall average generation rate of SMC was Php 5.421/kWh while Meralco’s overall generation rate was Php 0.32 higher at 5.101/kWh. The prices of coal skyrocketed that year due to the higher oil and coal tax brought by the TRAIN law.

In 2019, the average generation rate of SMC is Php 5.312/kWh, slightly higher than the Php 5.222/kWh overall generation rate of Meralco. In 2020, SMC’s average generation rate decreased to Php 4.0864/kWh while Php 4.38/kWh for Meralco because of the implemented Enhanced Community Quarantine (ECQ), which resulted in a significant reduction in power demand. Since 2020, the average generation rate of SMC has become lower than Meralco’s average generation rate.

Beginning in the first quarter of 2021, Meralco’s generation rate shows an increasing trend while SMC relatively maintained its rate. At the end of February 2022, the Ukraine-Russia War broke out and caused a surge in international fuel prices. Despite this, generation rates of SMC showed resilience against the volatility and surge in prices. As shown in Table 11, SMEC Sual CFPP and SPPC Ilijan are always at the top three lowest generation rates, along with ACEN coal. This is because of the straight price tariff structure arrangement between SMCGP power plants and Meralco instead of fuel pass-through, wherein the fuel price is fully passed on to the end-users.

However, SMCGP claimed that Sual CFPP and SPPC Ilijan incurred a total loss of Php 15 billion from January to May 2022 because coal price reached as high as USD 440 per metric ton, and the Malampaya gas restriction that affected the output of SPPC Ilijan. This caused SMCGP to seek temporary relief from the Energy Regulatory Commission (ERC) to cover a third of the mentioned losses both for SMEC Sual and SPPC Ilijan. If granted, Meralco customers will have to pay an additional Php 0.28/kWh over a period of six months.<sup>36</sup>

**Table 11. Top Three Lowest Generation Rates Charged to Meralco per Month during Russia-Ukraine War**

Billing Month	Lowest (Php/kWh)	2nd Lowest (Php/kWh)	3rd Lowest (Php/kWh)
<b>Feb 2022</b>	Sual CFPP (4.1764)	ACEN coal(4.1888)	SPPC Ilijan (4.2714)
<b>March 2022</b>	ACEN coal (3.802)	Sual CFPP (4.1076)	SPPC Ilijan (4.2188)
<b>April 2022</b>	Sual CFPP (3.357)	SPPC Ilijan (3.6297)	ACEN coal (3.7983)
<b>May 2022</b>	Other PPA (Power Purchase Agreement) <sup>37</sup> (3.6102)	SPPC Ilijan (4.2476)	Sual CFPP (4.4599)
<b>June 2022</b>	Other PPA (3.3094)	Sual CFPP (4.1794)	SPPC Ilijan (4.6621)
<b>July 2022</b>	Other PPA (3.3964)	Sual CFPP (4.3849)	ACEN coal (4.8251)

SMCGP has been able to pass on the increase in coal prices by more than 70% of its contracted capacity. About 30% to 35% of SMCGP’s bilateral volumes have a fuel pass-through arrangement, and majority of these are assigned to the Sual, Masinloc, and Davao CFPP. Nearly 35% of the bilateral volumes are with Meralco with a guaranteed rate escalation of 3.5% per annum.<sup>38</sup>

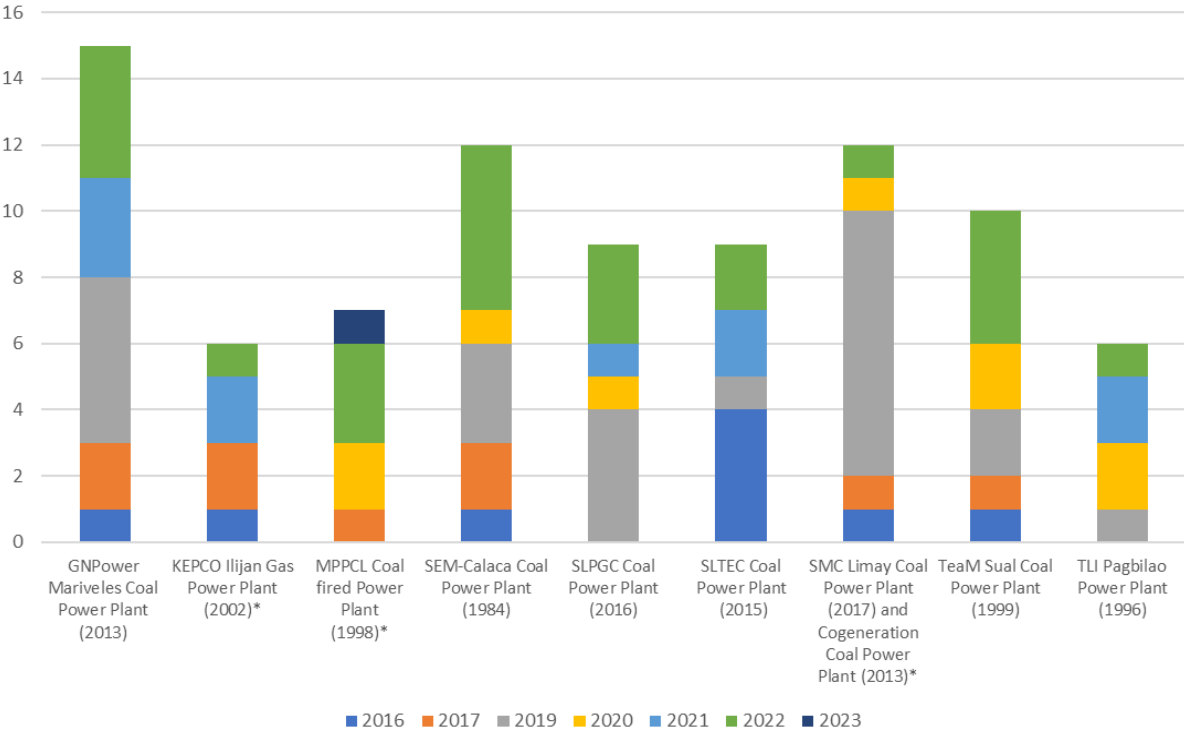
### Regular Outages and Gaming Allegations

While many electric consumers contend with high electricity rates as generation rates from coal and fossil gas plants increase, many of these consumers are also subjected to prolonged and regular outages. Unplanned outages have been occurring frequently across Luzon due to unreliable coal plants and the derating of fossil power plants. Early in 2022, the first of several outages occurred as six coal-fired power plant units and one hydropower plant underwent simultaneous forced outages. At the same time, three coal-fired power plant units and one gas-fired power plant derated their capacities last March 26, 2022. The National Grid Corporation of the Philippines (NGCP) declared a yellow alert as 2,834 MW was shaved from the Luzon Grid.<sup>39</sup>

The most recent occurrence of outages was a red alert declared in Luzon by the NGCP last 08 May 2023 as two units of SMCGP’s subsidiary MPPCL’s Masinloc Power Plant with a combined capacity of 659 MW went on a forced outage.<sup>40</sup>

Many of these power plants have been going on unplanned outages since 2016. In particular, SMC’s MPPCL coal plant has undergone unplanned outages seven times, the Limay coal power plant and cogeneration power plant twelve times, and the Sual CFPP has undergone ten. The figure below shows the commercial operation dates of various coal plants and exposes that incidents are not isolated to old and near-end-of-life coal-fired power plants. In fact, many of these coal plants started operations in the last decade.

**Figure 12. Fossil Fuel Power Plants with more than four years of Unavailable Capacity due to Unplanned Outage or Derating since 2016 to May 2023**



\*SMCGP subsidiaries

Allegations of gaming cannot be overlooked as major power players such as SMC continue to report soaring net incomes as their power generation assets go on unplanned outages regularly. A deep dive into the outages data shows that there were several power players whose power plants underwent outages or deratings, while their sister companies supplied electricity to the WESM during the same period. The table below shows the generation companies contributing to the effective supply of WESM during the series of yellow and red alerts.<sup>41</sup> These companies are sister companies of the power plants that caused the alerts in the first place.

**Table 12. Parent Holding Companies behind the 2021 Yellow and Red Alerts**

Parent Holding Company	Facility going on repeated outages and/or derating causing yellow and/or red alerts	Facilities contributing to the effective supply of WESM during yellow and/or red alerts	Yellow and/or Red Alert Period
SMC Global Power Holdings Corp.	KEPCO Ilijan CCGT	<ul style="list-style-type: none"> <li>▶ KEPCO Ilijan CCGT</li> <li>▶ SMC Limay Coal-Fired Thermal Power Plant</li> <li>▶ Masinloc Coal-fired Thermal Power Plant</li> </ul>	May 31-Jun 6, 2021
	KEPCO Ilijan CCGT	<ul style="list-style-type: none"> <li>▶ KEPCO Ilijan CCGT</li> <li>▶ SMC Limay Coal-Fired Thermal Power Plant</li> <li>▶ Masinloc Coal-fired Thermal Power Plant</li> </ul>	July 12-18, 2021
	SMC Limay Coal-Fired Thermal Power Plant	<ul style="list-style-type: none"> <li>▶ SMC Limay Coal-Fired Thermal Power Plant</li> <li>▶ Masinloc Coal-fired Thermal Power Plant</li> </ul>	Oct 18-24, 2021

## Coal Mining Business

Although extractive businesses are upstream industries and should be a separate sector from downstream power generation, the SMCGP corporate tree categorizes these operations under power generation business. As such, discussions involving extractives are subsumed in this chapter. SMCGP through SMEC and its subsidiaries, Daguma Agro Minerals, Inc. (DAMI), Sultan Energy Philippines Corporation (SEPC), and Bonanza Energy Resources, Inc. (BERI), owns approximately 17,000 hectares of coal properties in Mindanao used for exploration, production, and development. These sites are located in Lake Sebu, South Cotabato and Tuanadatu, Maitum, Saranggani Province. Tapping into these sites will become more relevant as global coal prices skyrocket.

These Coal Operating Contracts (COC) each have a 10-year term from the conversion date of the COC for development and production, extendable for an additional 10 years and thereafter for a series of three-year periods not to exceed 12 years, subject to agreement between the parties. SEPC has obtained an extension up to 2029 while BERI has filed a request for a 10-year term extension. These contracts have laid dormant for quite some time. DAMI's plans in South Cotabato for instance were rejected back in 2018 by the provincial board because it would have violated South Cotabato's ban on open-pit mining.<sup>42</sup> On the other hand, in President Bongbong Marcos Jr.'s State of the Nation Address, he referred to the development of indigenous sources of energy which may include domestic coal, indicating the potential revival of coal mining operations.

## Midstream Fossil Gas Business

Considering that Malampaya's fossil gas output is estimated to deplete by 2027, SMCGP is exploring alternative sources of fuel such as imported LNG, which requires midstream facilities for importation, regasification, and storage. SMCGP intends to execute terminal use agreements for access to the Batangas LNG terminal being constructed by Atlantic, Gulf & Pacific Company of Manila, Inc. (AG&P) and Linseed Field Corporation. This terminal is intended to provide regasified LNG and storage solutions to the Ilijan Power Plant and the Batangas Combined Cycle Power Plant. However, this project has faced repeated delays. Previous reports have indicated that target commissioning has been adjusted from July 2022 to August 2022 due to delays in the delivery of equipment from China and South Korea.<sup>43</sup> The latest reports indicate that commercial operations of the LNG project of AG&P and Linseed Field Corporation have been moved to January 2023, while construction and commissioning are targeted to be completed by December 2022.<sup>44</sup> All the while, civil society has presented persistent opposition to the project, details of which are thoroughly discussed in Chapter 9.



## IV. SMC's Power Distribution Business

### Dependence on Unreliable Power Supply

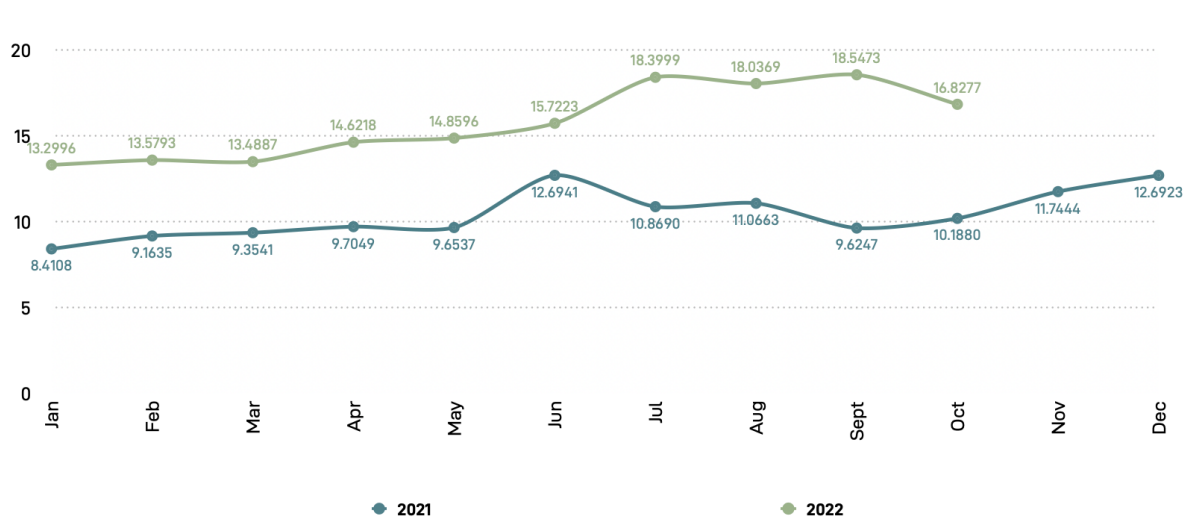
Albay Power and Energy Corporation (APEC) was organized and established by SMC Global Power Holdings on November 12, 2013, as a fully owned and controlled subsidiary. It was incorporated with the Philippine Securities and Exchange Commission (SEC) on November 19 of the same year. Under its Concession Agreement with Albay Electric Cooperative (ALECO), APEC shall have the authority to operate and manage the franchise of ALECO within the province of Albay. These are: Cities of Legazpi, Ligao and Tabaco, Municipalities of Daraga, Camalig, Manito, Rapu-Rapu, Malinao, Malilipot, Bacacay, Sto. Domingo, Libon, Polangui, Tiwi, Guinobatan, Oas, Jovellar, and Pio Duran.

ALECO is the official franchise holder. It is registered with National Electrification Administration (NEA) on March 26, 1991, as a non-stock, non-profit, and non-political service-oriented entity pursuant to Presidential Decree No. 269. ALECO was granted the sole franchise to operate light and power service for a period of 50 years from and after the issuance of the franchise in the Province of Albay.<sup>45</sup>

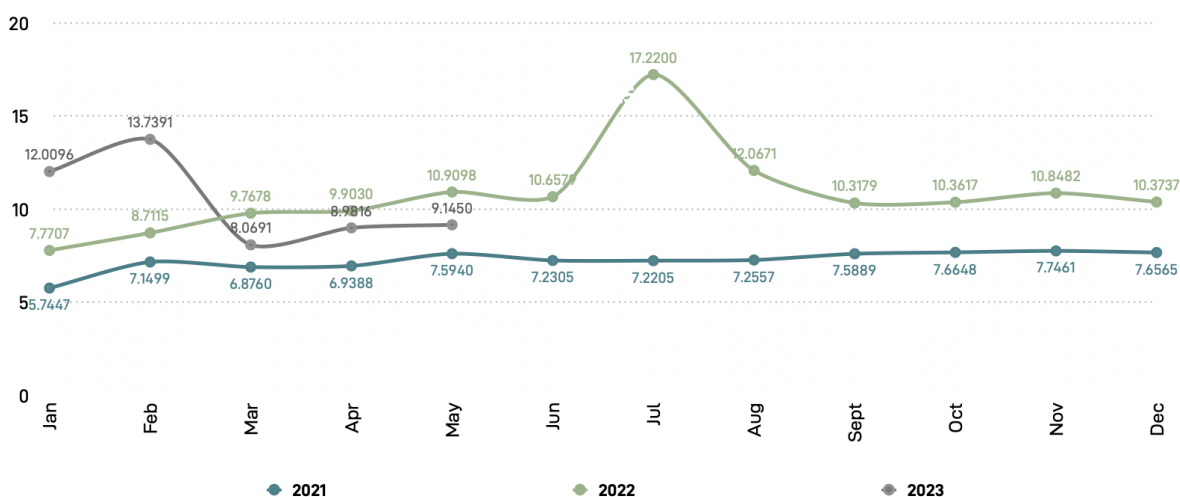
Under the concession agreement, there is no transfer of the franchise to operate the distribution system, and the ownership of the distribution assets remains with ALECO and the distribution system will be returned back to ALECO at the end of the agreement.

The company also has a 35% equity stake in the Olongapo Electric Distribution Company, Inc. (OEDC). OEDC is a private distribution utility and a subsidiary of Cagayan Electric Power & Light Company, Inc (CEPALCO) under joint venture with SMEC. It was granted a legislative franchise on December 2012 with a 25-year term<sup>46</sup>. It provides power within Olongapo City. Since 2021, SMEC is the sole generation company that provides power to OEDC (Figure 14).

**Figure 13. January 2021-October 2022 Residential power rates of ALECO-APEC (Php/kWh)**



**Figure 14. January 2021- May 2023 Generation Charges of OEDC (Php/kWh)<sup>47</sup>**



**Table 13. Summary of APEC, Concessionaire of ALECO, and OEDC PSAs<sup>48 49</sup>**

Distribution Utility	Generation Company	Power Source	Minimum Capacity (MW)	PSA Start	PSA End
ALECO-APEC	San Miguel Energy Corporation	Coal	30	December 26, 2019	December 25, 2020
ALECO-APEC	San Miguel Energy Corporation	Coal	40	December 26, 2020	December 25, 2021
OEDC	San Miguel Energy Corporation	Coal	30	June 1, 2018	December 30, 2023

Some DUs and ECs are entirely dependent on supply from SMC. The power supply contract between SMC and OEDC, a company where SMC's a stockholder no less, was approved by ERC last June 2018. However, outages from the plant reportedly led to a loss of 10,196.15 MWh in 2020. The term of the contract is for 10 years or until December 2023. As of OEDC's 2021 Power Supply Procurement Plan (PSPP), there is under-contracting by 3.56 MW and is expected to grow to 7.94 MW by June 2023. SMC is the supplier for the demand of OEDC, while the share of WESM in the total Offtake ranges from 7% to 8% only.<sup>50</sup>

In the first quarter of 2023, the power distribution in the province of Albay is set to be managed again by ALECO as its member-consumer-owners voted to terminate the concession agreement between APEC. The audit findings of NEA conducted on March 2021 showed that there are deficiencies in the performance of APEC as a concessionaire of ALECO.

The audit showed that the system loss remained well above the system loss cap set by the ERC, which resulted in huge subsidized costs thereby negatively affecting its financial viability. Further, NEA said the collection efficiently remained below the standard it set.<sup>51</sup>

## V. SMC Fuel and Oil Refining<sup>52</sup>

SMC owns Petron Corporation, the only oil refining and leading marketing company in the country. It was registered with SEC on December 22, 1966. Petron Philippines has a rated capacity of 180,000 barrels-per-day of various fuels including gasoline, diesel, LPG, jet fuel, and kerosene and petrochemicals. It supplies 20% of the country's total fuel requirements.

In 2021, the company's sales bounced back, tallying a 53% increase of Php 438 billion in consolidated revenues after a dip in sales in 2020 with only Php 286 billion, following a healthy Php 514 billion sales in 2019. Meanwhile, net income in 2021 turned positive with Php 6.14 billion from a net loss of Php 11.4 billion in 2020.

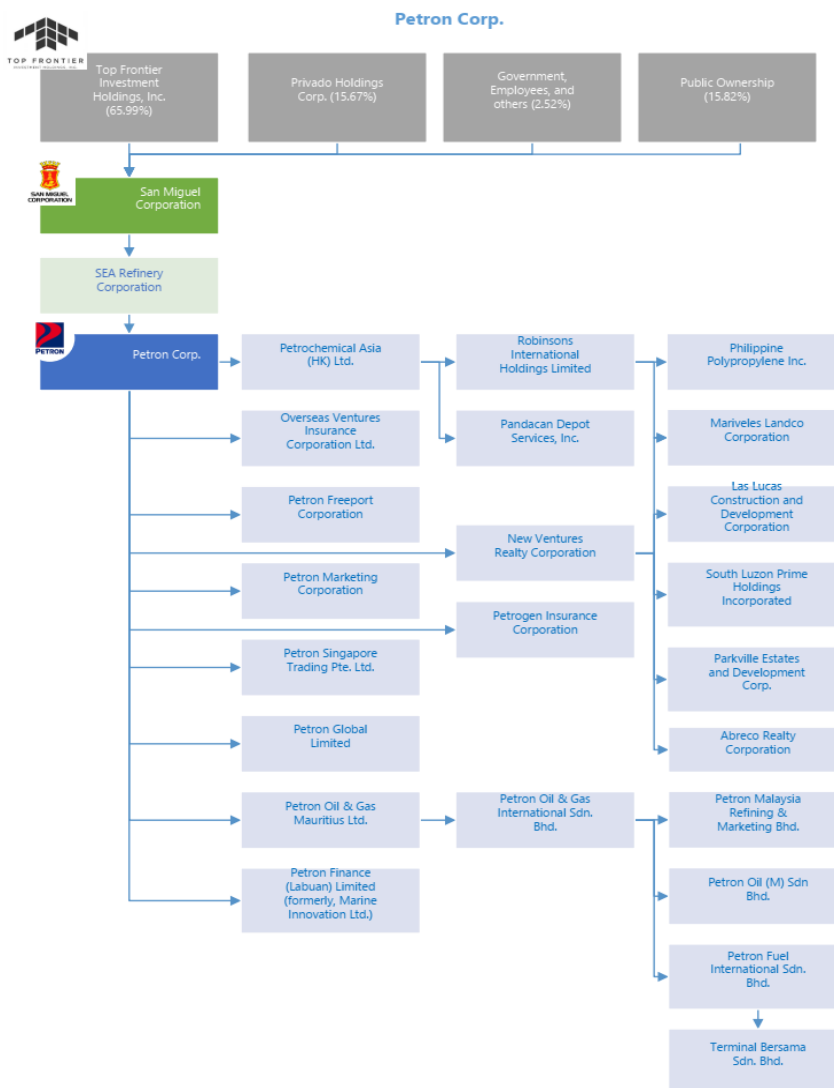
Petron claims to provide "moral leadership" in the business community by putting economics, human development, and environmental sustainability into good practice. The company states that they minimize its carbon footprint by following the strictest standards mandated by the government and undertaking offsets through Corporate Social Responsibility (CSR) programs.

Petron is also one of the leading oil companies in Malaysia, with an 88,000 barrels-per-day refinery, including 12 terminals and facilities, and over 700 service stations.

**Table 14. Top 10 Stockholders of Petron Corporation<sup>53</sup>**

Stockholder Name	Total Common Shares	% of Overall Shares
SEA Refinery Corporation	4,696,885,564	50.1%
PCD Nominee Corp. (Filipino)	1,870,633,532	19.953%
San Miguel Corporation	1,702,870,560	18.163%
Petron Corporation Employees Retirement Plan	459, 156, 097	4.898%
PCD Nominee Corp. (Non-Filipino)	197,193,072	2.103%
F. Yap Securities Inc.	15,704,918	0.168%
Ernesto Chua Chiaco &/Or Margaret Sy Chua Chiaco	6,000,000	0.064%
Sysmart Corp.	4,000,000	0.043%
Margaret S. Chuachiaco	3,900,000	0.042%
Mary Felicci B. Ongchuan	2,950,100	0.031%

**Figure 15. Petron Corporation Corporate Tree**



## VI. Food and Beverages Business<sup>54</sup>

San Miguel Food and Beverage, Inc (SMFB) is the main food and beverage business arm of SMC. It was founded in 1890 as a single brewery in the Philippines. The beverage business is composed of beer and non-alcoholic beverages through San Miguel Brewery Inc., and spirits through Ginebra San Miguel Inc. Meanwhile, the food business is composed of San Miguel Foods, Inc., Magnolia, Inc., Purefoods-Hormel Company, Inc., and San Miguel Mills. Inc.

In 2021, SMFB consolidated revenues were posted at Php 309.8 billion, 11% higher than 2020, with food, beer, and spirits businesses contributing Php 151 billion, Php 116.3 billion, and Php 42.5 billion, respectively.

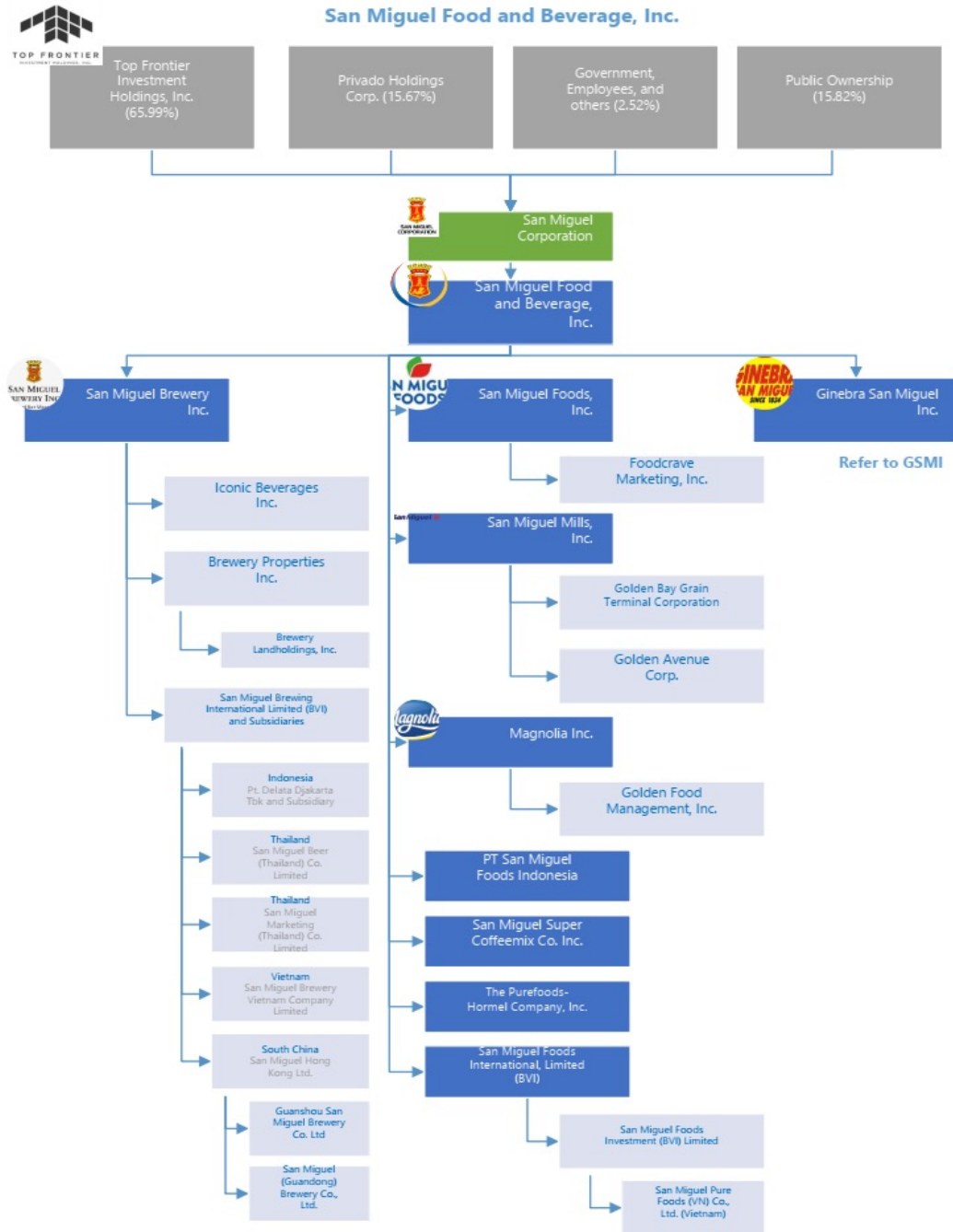
Some of the famous products of SMFB include San Miguel Pale Pilsen, San Mig Light, Magnolia Chicken, Magnolia ice cream, Purefoods refrigerated and canned processed meats, to name a few.

**Table 15. Top 10 Stockholders of San Miguel Food and Beverage, Inc.<sup>55</sup>**

Rank	Stockholder Name	Total Common Shares	% of Outstanding Shares
1	San Miguel Corporation	5,245,082,440	88.761 %
2	PCD Nominee Corporation (Non-Filipino)	388,314,968	6.571 %
3	PCD Nominee Corporation (Filipino)	253,898,156	4.297%
4	Q - Tech Alliance Holdings, Inc.	20,511,400	0.347%
5	PFC ESOP/ESOWN Account	271,030	0.005%

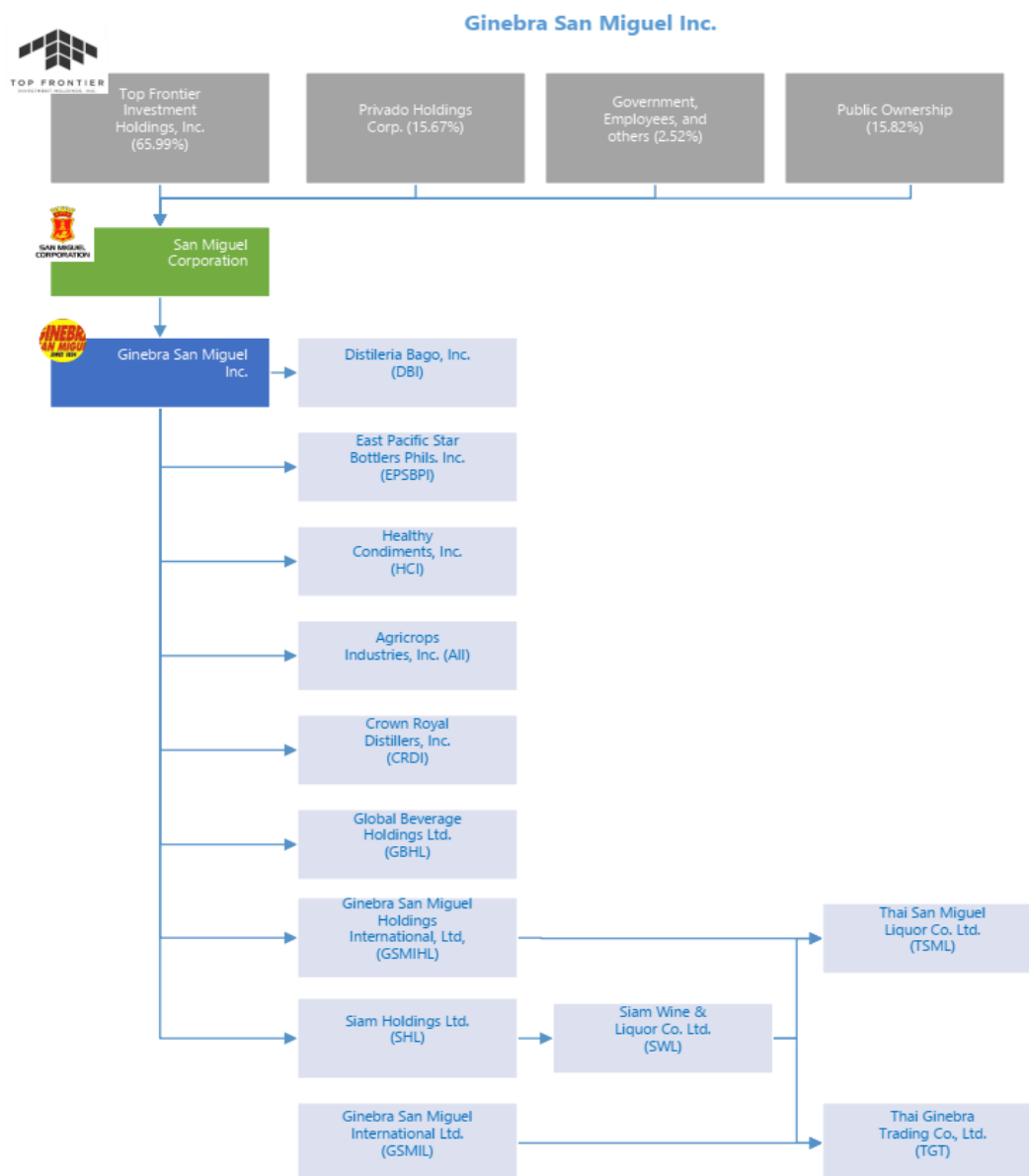
6	Cecille Y. Ortigas	228,610	0.004 %
7	Majent Management And Development Corporation	203,700	0.003 %
8	Monaco Holdings, Inc.	100,000	0.002 %
9	Xing Ye	85,200	0.001 %
10	Ramon L. Chua	77,140	0.001%

**Figure 16. San Miguel Food and Beverage Corporate Tree**





**Figure 17. Ginebra San Miguel Corporate Tree**



## VII. Infrastructure

SMC infrastructure business, through its subsidiaries, is in charge of the construction, management, and operation of infrastructure businesses that hold long-term concession agreements with the Philippine government. These include toll roads including expressways and skyway systems, Metro Rail Transit 7 (MRT-7), airports, and Bulacan Bulk Water Supply System Project (BBWSSP), as discussed in Table 16.

**Table 16. Infrastructure Project Agreements Entered by SMC<sup>56</sup>**

Infrastructure Project	Project Proponents	Agreement Details
NAIA Expressway (NAIAX)	SMC NAIAX - finance, design, construct, operate and maintain	30-year concession agreement with DPWH
South Luzon Expressway (SLEX)	SMC SLEX Inc. -rehabilitation, construction, and expansion	Supplemental Toll Operation Agreement (STOA) with Manila Tollway Expressway Systems (MATES), Philippine National Construction Corporation (PNCC), and Toll Regulatory Board (TRB), 30-year concession agreement Toll Road 1(TR1) to TR3. TR4 construction is ongoing as of December 31, 2021.

Skyway Stage 1 and 2	SMC Skyway Corporation - construction and financing PNCC Skyway Corporation (PSC) - operation and maintenance	30-year franchise period starting April 25, 2011
Skyway Stage 3	SMC Skyway Stage 3 Corporation - financing, design, and construction Central Metro Manila Skyway Corporation - operation and maintenance	30-year franchise period, started its operation on July, 1 2021
Skyway Stage 4	SMC Skyway Stage 4 Construction - financing, design and construction Metro O&M Corporation (MOMCO) - operation and maintenance	STOA with TRB, PNCC and MOMCO, 30-year concession agreement, inception of construction stage as of December 2021
Tarlac-Pangasinan-La Union Expressway (TPLEX)	SMC TPLEX Corporation- finance, design, construct, operate, maintain, impose and collect tolls	35-year concession agreement with DPWH and TRB, last phase of the project operated on July 15, 2020
Southern Tagalog Arterial Road (STAR)	Star Infrastructure Development Corporation Stage I: Operations and maintenance Stage II: finance, design, construction, operations and maintenance	36-year Toll Concession Agreement with DPWH and TRB, valid until December 31, 2035.
Boracay Airport	Trans Aire Development Holdings Corporation (TADHC) - development, upgrade, operate, maintain, collect fees, rentals, and other charges	Entered on June 22, 2009 a 25-year concession period with the Department of Transportation (DOTR) and Civil Aviation Authority of the Philippines (CAAP).
MRT-7	Universal LRT Corporation BVI (ULC BVI) - financing, design, construction, supply, completion, testing, commissioning, operation, and maintenance	Entered into a 25-year concession agreement in June 2008.  ULC BVI passed its obligation to SMC MRT 7 through execution of Accession Agreement on January 12, 2017

<p>Bulacan Bulk Water Supply Project</p>	<p>Luzon Clean Water Development Corporation, registered concessionaire by SMC-K-water Consortium - treatment of water, planning, financing, development, design, engineering and construction of facilities, operation, and maintenance</p>	<p>30-year concession agreement was executed on January 15, 2016. Started its initial operation on April 25, 2019, and had its full operation on April 24, 2020.</p>
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### **Pasig River Expressway**

The Pasig River Expressway Project (the PAREX Project) is a six-lane elevated roadway project aiming to connect Metro Manila’s biggest business districts, that will run for 19.37-km along the Pasig River’s banks.<sup>57</sup> This project will sit right on top of the Pasig River,<sup>58</sup> and its direct impact areas will be the cities of Manila, Mandaluyong, Pasig, Makati, and Taguig.<sup>59</sup> It is a joint venture of both SMC Infrastructure and the Philippine National Construction Corporation (PNCC) and is considered one of the projects under the Philippine government’s Build Build Build Program.<sup>60</sup>

On 14 July 2022, Public Scoping for the PAREX Project was conducted online as required under the “Guidelines on Public Participation under the Philippine Environmental Impact Statement System” (DAO. No. 15 s. of 2017), and the “Interim Guidelines on Public Participation in the Implementation of the PEISS (PD 1586) during the State of National Public Health Emergency” (DENR-EMB Memorandum Circular No. 2020-30). The facilitators for such Public Scoping were SMC Infrastructure, the Department of Natural Resources - Environmental Management Bureau (DENR-EMB), and RHR Consultancy Services, Inc. (preparer of the SMC Infrastructure’s EIS).<sup>61</sup>

On 25 March 2022, the DENR-EMB conducted the Public Hearing for the PAREX Project as required under the same DAO, also online. The purpose of such was so that stakeholders under the DAO no. 15, s. of 2017 could air out their commentary and issues regarding the PAREX Project directly to SMC.<sup>62</sup>

SMC intends to fully shoulder the costs for the PAREX project and has already entered into a Supplementary Toll Operations Agreement (STOA) with the Toll Regulatory Board last 21 September 2021.<sup>63</sup> However, given its location, and its possible impact on the Pasig River ecosystem and the communities living along the affected areas, the PAREX Project has met with stiff resistance from various advocacy groups and stakeholders. Moreso when the paucity of SMC’s research with regard to the PAREX Project’s scientific, social, and cultural impacts was brought into question during the Public Hearing. SMC was also allegedly discovered to have made various misrepresentations with regard to its conduct of the Environmental Impact Assessment (EIA) Process, which all the more should have brought the validity of its Environmental Compliance Certificate (ECC) application into question.

## VIII. Overseas Business Operations

As of 2020, SMC Group’s overseas operations contributed about 19.87% of consolidated sales and 11.91% of consolidated net income. This is broken down as follows:

**Table 17. Breakdown of Regional Contribution to SMC’s Revenues in 2020<sup>64</sup>**

Country	2020 Consolidated Revenue Shares %
Malaysia	14.31
Singapore	2.50
Australia	1.31
China	0.64
Indonesia	0.53
Vietnam	0.28
Others	0.30

SMC has heavily invested in the Southeast Asia region. Petron has more than 2,400 retail service stations and approximately 700 retail service stations in Malaysia as of December 31, 2020. It also exports various petroleum products and petrochemical feedstock in the Asia-Pacific region. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels-per-day and 12 product terminals, with a presence in the airport segment through a 20% ownership of a multi-product pipeline to Kuala Lumpur International Airport.

Additionally, SMC has previously announced making an investment worth USD 7.8 billion on 41 acquisitions, three-quarters of which were made since 2008 when SMC began moving out of the food and brewery business. In 2012, SMC said it was looking at a USD 5 billion acquisition in the gas industry. In 2014, it also initiated a USD 9 billion capital spending plan to expand its oil, power, and infrastructure businesses by 2016. SMC also expanded its overseas operations in its foods and beverage division.

When SMC bought Pure Foods Corporation from Ayala Corporation in 2001, it also included Pure Foods' joint venture with Hormel Foods, a US-based company famously known for its SPAM products. In 2009, over a year after the incorporation of San Miguel Brewery, Inc. in 2007, Japan-based Kirin Holdings Co. Ltd bought 48% of then newly incorporated company. This enabled SMC Brewery Inc's products abroad and gave access to sell locally Kirin Ichiban, one of Japan's premier beers. In Southeast Asia, products of San Miguel Brewery Inc. such as "*San Miguel Pale Pilsen*" are distributed in: 1. Thailand, through San Miguel Brewery Inc's Thailand-based affiliate San Miguel Beer Beer (Thailand) Co. Ltd and San Miguel Marketing (Thailand) Co. Ltd; 2. Indonesia, through PT Delta Djakarta Tbk; 3. Vietnam, through San Miguel Brewery Vietnam Company Ltd.; and 3. South China, through Guangshou San Miguel Brewery Co. Ltd and San Miguel (Guandong) Brewery Co. Ltd which are subsidiaries of San Miguel Hong Kong Ltd.

Products of San Miguel Foods Inc. are also distributed in Indonesia, through PT San Miguel Indonesia and Vietnam, through San Miguel Purefoods (Vietnam) Co. Ltd. Spirits or hard drinks arm of San Miguel Food and Beverage Inc., Ginebra San Miguel Inc. is distributed in Thailand by Thai San Miguel Liquor Co. Ltd. and Thai Ginebra Trading Co. Ltd. through Ginebra San Miguel Inc's affiliate Siam Wine & Liquor Co. Ltd.

## IX. Community and Civil Society Opposition

### A History of Protests and Reprisals

While SMC has faced serious opposition in many of its projects from frontline communities, civil society organizations, and various groups over the years, stories of protests and reprisals in its businesses in power generation, extractives, and infrastructure have particularly been the most prominent. This chapter shares some of these notable stories.

### Communities, green and faith-based groups oppose coal power plants and coal mining operations

In 2017, coal-affected communities and civil society organizations launched the Break Free 2017 campaign—a campaign that opposes the expansion of fossil fuel industries in the country and the rest of the world—in no less than the project site of SMCGP’s SCPC Limay Coal Power Plant. Residents of Limay, Bataan claimed that they are exposed to the emissions of SMC’s then-300 MW CFPP and the 140 MW plant of the Petron Bataan Fuel Refinery to the detriment of their health. The groups’ claim that the plant’s testing operations may have resulted in ash spills was found meritorious by the DENR which issued a Cease and Desist Order.

Before SMC’s acquisition of the Masinloc power plant in 2018, the plant also had much opposition, which led to delays in operation during the 1990s. Environmentalists, farmers, and fishermen staged protests claiming that wastewater from the plant would contaminate the bay and kill local fisheries. Masinloc power plant was then operated and owned by the government through Napocor to address the nationwide electricity deficit at that time. Using emergency powers, then President Fidel V. Ramos was able to push through with the project, displacing over 1,000 individuals. It was determined that the plant produced over 385,000 tons of ash



yearly putting local communities' health at risk. Previous owners of the Masinloc power plant claimed to have spent over USD 1 billion for its restoration, and SMC claims that this additional power asset allowed them to increase their footprint in clean coal technology and produce power in an environmentally responsible way.

There have also been reported experiences of directly impacted communities in and surrounding the project sites of some of SMCGP's coal power plants that have faced, and some continue to face, harassment and intimidation from various individuals in order for them to give up their property rights.

In 2016, SMCGP proposed to construct and operate its Limay Power Station in Limay, Bataan. A portion of the property where SMC's proposed coal-fired power plant was to be constructed was fenced off by private individuals who claimed to have sold the property, and people were prohibited from entering or even accessing the crops they had planted in the area. The same situation happened in Sariaya, Quezon in 2018, after SMCGP proposed construction of a circulating fluidized bed coal-fired power plant in the same municipality. In Mariveles, Bataan, where SMC's Mariveles Coal-Fired Power Plant Units 1-4 are meant to be constructed, residents found themselves ousted from the property they were dwelling in right during the peak of the Covid-19 lockdowns by alleged landowners claiming that the property had already been sold to a buyer.

SMC's mining business also faces its fair share of opposition. SMC's DAMI was granted a coal development and production operating contract in South Cotabato and Sultan Kudarat by the DOE back in 2002. This is part of the 17,000 hectares of collective land that SMC mining companies plan to explore. DAMI's plans in South Cotabato were swiftly opposed as environmental advocates, the local Catholic diocese, and host communities, cited environmental and encroachment concerns. They also flagged that DAMI will be utilizing the strip mining method, a form of open-pit mining that is forbidden by South Cotabato's 2010 environmental code.

The provincial board of South Cotabato rejected a resolution that would have endorsed DAMI's mining operations since it violates South Cotabato's ban on open-pit mining. However, environmental advocates faced a renewed threat as the provincial board moved to amend the code and lift the ban on open-pit mining. Local officials also exhibited alarming behavior as they kept knowledge of SMC's tree-clearing operations. In response, South Cotabato Governor Reynaldo Tamayo Jr. issued a veto against the lifting of the ban on open-pit mining.

### **Communities, green and faith-based groups oppose fossil gas projects**

As a response to SMC's massive expansion plans for fossil gas and LNG in Verde Island Passage, civil society and environmental groups, faith-based organizations and leaders, conservation experts, youth, and community stakeholders came together to launch the Protect Verde Island Passage Campaign in 2021. Activists and locals near the Verde Island Passage in Batangas have been protesting against these facilities claiming that the proposed construction will harm the marine biodiversity-rich ecosystem of the area and impact the livelihood of local communities that are dependent on it. Five catholic bishops have also been vocal about this opposition and have written to Ramon Ang to cancel these proposed projects.

SMC has started the process of pursuing LNG expansion in other areas, several more public scoping events have been held for SMC fossil gas and LNG projects including its subsidiaries Reliance Energy Development, Inc's 300 MW LNG Combined Cycle Power Plant in San

Carlos, Negros Occidental and Prestige Power Resources Inc's 600 MW Tabango LNG Power Plant in Tabango, Leyte. Center for Energy, Ecology, and Development's (CEED) legal team embarked on back-to-back trips to the scheduled public scoping events in order to represent affected communities and raise opposition to the projects. During these hearings, civil society has raised concerns over the lack of appropriate public notices for the public scoping event, a requirement under the EIA process in order for the scoping to proceed. Civil society organizations have also raised the environmental impacts and implications to the livelihood of host communities if the project proceeds.

SMC has its own significant share of LNG projects in Batangas province, where the bulk of LNG development in the country is taking place. In Barangays Ilijan and Dela Paz, SMC's EERI is constructing its 1,750 MW Batangas Combined Cycle Power Plant which is set to be commissioned on September 2023 and located at the shores of the Verde Island Passage (VIP).

The EERI power plant project, along with the adjacent LNG import terminal facility constructed by Linseed Field Corporation (Linseed), is wracked by controversy. Their location is a primary factor - the two projects have been constructed by the shores of the VIP, right by the sea. Both EERI and Linseed's Environmental Impact Statements show that their respective operations will have an impact on water quality, in various capacities. EERI and Linseed's respective operations thus run the risk of releasing contaminants directly into the VIP's delicate marine ecosystem - whose waters are already currently threatened by high levels of pollution.

EERI and Linseed's EIS both promise mitigation measures in order to contain any potential degradation of water quality from their operations. However, given the fragile nature of ocean ecosystems, pursuing such operations can have catastrophic environmental consequences, especially when taking into account the sheer number of LNG power plant projects already proposed to be constructed in the province. The release of further pollutants from all the proposed LNG power plant projects in Batangas can also potentially destroy the province's fishing industry, a concern held by multiple environmental and human rights advocacy groups. In a report by the Philippine Center for Investigative Journalism<sup>65</sup>, Batangas recorded the third biggest drop in fish production from 2019 to 2021. From 93,019 metric tons of catch in 2019, this drastically dropped to 68,501 metric tons in 2021. The volume of fish hauled from Batangas province has seen a steady decline in the last decade. Fisherfolks also report of difficulty in fishing after restrictions were put in place due to ongoing construction projects. Linseed proposed an exclusion zone of 500 meters from its floating storage unit (FSU) while the adjacent EERI power plant has an exclusion zone that extends 20 meters from the shoreline to the sea. These exclusion zones act as barriers to fisherfolks who now have to deal with limited fishing grounds on top of the already dwindling catch.

This affects not just Batangas' fishing sector, but the Philippine economy as a whole. All of this, coupled with other issues regarding EERI and Linseed's failure to comply with certain conditions of their respective ECCs has led to mounting opposition from affected fisherfolk, faith-based groups, and environmental activists desperate to preserve the Verde Island Passage not just for those presently reliant on it for their lives and livelihood, but also for generations to come.



*Batangueño fishermen hold a fluvial protest in front of Ilijan Power Plant calling for the protection of Verde Island Passage during Earth Day last April 22, 2022.*

At the same event, stakeholders and communities affected by SMC’s EERI 1,750 MW Batangas Combined Cycle Power Plant also called for financial institutions supporting it to withdraw from the project. The same financiers were also written to by concerned residents of Dela Paz and Ilijan, Batangas with the support and solidarity of the organizations which comprise the Protect VIP Campaign Network. They explained through their letter the serious impacts this project will have on this valuable marine resource, on their livelihood, and on the climate. They emphasized that while stakeholders like them continue to oppose the project on the ground, ultimately, the project would not be possible without the financial services extended by banks.



*Fishermen, who are bound to suffer from the negative impacts of the EERI 1,750 MW Batangas Combined Cycle Power Plant, call on its financiers to help protect the VIP and withdraw from the project.*



Similarly, Prestige Power Resources, Inc. proposed a 600 MW LNG Combined Cycle Power Plant Project to be located in Brgy. Tugas, Tabango, Leyte also faced opposition even prior to its scheduled public scoping on March 25, 2022. On the day of public scoping, the proponent again faced strong resistance from local communities, leading to its cancellation.

The Converge Power Generation Corporation's (CPGC) proposed 600 MW LNG Combined Cycle Power Plant, to be located in Barangays Poblacion and Looc, Lapu-Lapu City, Cebu was likewise questioned and opposed by legitimate stakeholders during its public scoping on 25 May 2022.

Early on in the program, questions were raised regarding the process undertaken by the project proponent prior to public scoping. Representatives from the education sector raised alarm over the proponents' lack of information and Education Campaign (IEC), which is a prerequisite to public scoping under DAO No. 15, s. of 2017. This was seconded by church leaders and community stakeholders, which led the DENR-EMB representative to postpone the public scoping.

A notice of public scoping was once again issued, scheduling the activity on August 9, 2022; however, on August 3, 2022, legitimate stakeholders were informed by the consultant engaged by SMC Global Power Holdings to prepare the EIA that the proponent will be deferring the project indefinitely. A few days later the cancellation of the public scoping was announced on even date.



*Members of the affected community in Lapu-Lapu City, Cebu during the early part of the public scoping for the proposed CPGC Combined Cycle Power Plant Project.*



*Legitimate stakeholders raised their concerns regarding Converge Power Generation Corporation's violations of DAO 15-17.*

On September 27, 2021, several groups launched the Protect VIP Campaign to celebrate the beauty and significance of the VIP, oppose practices that harm it, and urge authorities including local and national to preserve the area. Around 12,500 individuals have signed the Campaign's online petition to call on concerned government agencies and LGUs to fulfill their mandate under Executive Order 578, ensuring the protection, conservation, and sustainable resource use of VIP, and urge DENR - Environmental Management Bureau and Batangas LGU to stop the issuance of permits for the development of fossil gas plants and LNG terminals in Batangas City. Since the construction of SMC's EERI power plant, it has been met with legal complaints filed by environmental and sectoral groups - such as the project's illegal premature conversion filed before the Department of Agrarian Reform and its dubious obtainment of tree cutting permits before the DENR.



*Photos of the project site taken through a drone last August 2022 show clearing operations have continued in spite of pending legal actions due to multiple irregularities. Construction activities are also visibly ongoing past the shoreline and into the VIP.*





*Photos of the project site taken through a drone in June 2023 show the expansion of the project in spite of pending legal actions due to multiple irregularities.*

Other SMC fossil gas projects also faced great opposition from their respective local communities. In the days leading up to the Reliance Energy Development Inc’s 300 MW LNG Combined Cycle Power Plant legally mandated public scoping in San Carlos, Negros Occidental, local stakeholders informed the DENR-EMB district office of their request to postpone the public scoping based on multiple irregularities including failure to conduct the prerequisite IEC and failure to invite multiple legitimate stakeholders. On March 26, 2022, the day of the public scoping, community stakeholders were present to raise issues and concerns about the project such as its impact on the Tañon Strait, from which the plant will draw and return water used for cooling, on the marine life that resides in the Strait, and on the communities that rely on both for livelihood. Stakeholders also raised the issue of rising electricity prices due to fossil fuels, particularly when so many renewable energy projects are located in their area but which does not benefit them. They reiterated their requests and opposition in a letter to the EMB Central Office in April 2022.



*Members of the affected community in San Carlos, Negros Occidental raise their concerns about the proposed REDI fossil gas-fired power plant project.*



*Local groups oppose the project on the basis of numerous procedural irregularities and the project’s projected impacts on marine life, community livelihood, and electricity prices.*

On the day of SMC’s most recent Annual Stockholders Meeting, consumers, environmental and energy advocacy groups, and affected communities hosting harmful fossil fuel projects staged simultaneous actions to emphasize how the conglomerate is pursuing a massive expansion of dirty and costly fossil gas projects. The direction increases dependence on fossil gas and imported fuels, exposes consumers to volatile power supply and prices, and geopolitical shocks globally, and generates ecological impacts to already threatened resources. A protest was held at the main office of SMC in Mandaluyong with P4P, Protect VIP, and faith-based group Living Laudato Si’. This was held alongside actions led by ECOSILAK – Youth for VIP in Batangas; PALAG Na! in Ozamiz and Davao City in Mindanao; Konsyumer Negros and Youth for Climate Hope in Negros Occidental; SM-ZOTO in Navotas, Freedom from Debt Coalition in Tabango, Leyte; and Bukluran ng Manggagawang Pilipino, KPML, Sanlakas, and Partido Lakas ng Masa in Cebu.

### **The 33 void PSAs**

The PSAs of SMC include at least 33 that have been declared null and void by the Supreme Court. This decision is the culmination of two years of electricity consumer protests and legal battles in the ERC, Ombudsman, and eventually the Supreme Court under the Nagmamahal Meralco Campaign.





*In 2017, the Power for People Coalition launched the Nagmamahal Meralco Campaign, which contested Meralco's sweetheart deals with its subsidiary/affiliate generation companies. These are PSAs that avoided the CSP requirement.*

Although the EPIRA was enacted in 2001, it was only in 2015 that the DOE issued DC2015-06-0008, which mandated all distribution utilities to undergo CSP in securing PSAs. The 2015 DOE Circular likewise ordered the ERC to issue supplemental guidelines and procedures to properly guide DUs and Third Parties in the design and execution of the CSP.

In issuing the guidelines for the CSP, the ERC fixed a new date of effectivity for compliance with the CSP from 30 June 2015 to 7 November 2015, and then later on from 7 November 2015 to 30 April 2016. According to the Supreme Court, the two CSP postponements allowed DUs to enter into at least 90 PSAs that avoided the mandatory CSP.

In May 2019, electricity consumers won against distribution utilities and generation companies that executed PSAs without undergoing CSP, essentially locking in consumers to years of expensive power rates. In the *Alyansa v. ERC, et al.*<sup>66</sup> Ruling, the Supreme Court decided that the ERC did not have authority to postpone the date of effectivity of the CSP and cannot amend the 2015 DOE Circular. The Supreme Court said that absent compliance with CSP, the PSAs are valid only as between the DUs and the generation companies.

Thus, the Supreme Court ordered all PSAs submitted on or after 30 June 2015 to comply with the CSP and, upon compliance, the new power purchase cost resulting from the compliance shall retroact to the date of the effectivity of the complying PSA. In September 2019, the ERC issued a total of 120 Orders to Comply with 120 different PSAs that avoided the CSP pursuant to the Supreme Court's decision.

In a dialogue with the Power for People Coalition in September 2022, or three years after the ERC issued its Orders to Comply, the ERC told the Coalition that only 16 PSAs have been withdrawn and one PSAs' term has been completed.

According to the Power for People Coalition's audit, at least 33 out of the 120 PSAs involve SMCGP power plants. Among the invalid contracts are the PSAs between various distribution

utilities and four of SMCGP’s power plants: 9 PSAs with SMEC, 11 PSAs with San Miguel Consolidated Power Corp., 10 PSAs with SMC Masinloc Power Partners, and 3 PSAs with SMC affiliate Limay Premiere Power Corporation. The details of the SMCGP PSAs are listed in the table below.

Moreover, at least 32 out of the 120 PSAs are in effect today, meaning that DUs are purchasing electricity from these void PSAs. 12 out of the 32 PSAs that are in effect illegally involve SMC’s subsidiaries SCPC, SMEC, and MPPCL.

**Table 18. SMC’s 33 Void PSAs still in effect and/or non-compliant with Alyansa Ruling**

ERC Case No.	Distribution Utility	SMCGP Subsidiary/ Affiliate and power plant	Contracted capacity (MW)	Term	Status
2015-141 RC	Clark Electric Distribution Corporation	SMEC Sual Coal Plant	55	5 years from COD	
2015-183 RC	Pangasinan I Electric Cooperative, Inc. (PANELCO I)	Masinloc Power Partners Co., Ltd.	2	240th billing period from PSA signing	In effect
2015-192 RC	Camarines Sur II Electric Cooperative (CASURECO II)	Masinloc Power Partners Co., Ltd.	10	120th billing period from PSA signing	
2015-193 RC	San Jose City Electric Cooperative (SAJELCO)	Masinloc Power Partners Co., Ltd.	15	240th billing period from PSA signing	In effect
2015-211 RC	La Union Electric Cooperative, Inc (LUELCO)	Masinloc Power Partners Co., Ltd.	8	240th billing period from PSA signing	In effect
2015-214 RC	Ilocos Norte Electric Cooperative (INEC)	Masinloc Power Partners Co., Ltd.	51	240th billing period from PSA signing	
2015-215 RC	Ilocos Sur Electric Cooperative (ISECO)	Masinloc Power Partners Co., Ltd.	7	240th billing period from PSA signing	In effect
2015-217 RC	Mountain Province Electric Cooperative (MOPRECO)	Masinloc Power Partners Co., Ltd.	4	240th billing period from PSA signing	
2015-218 RC	Pangasinan III Electric Cooperative (PANELCO III)	Masinloc Power Partners Co., Ltd.	10	240th billing period from PSA signing	In effect

2015-219 RC	Abra Electric Cooperative (ABRECO)	Masinloc Power Partners Co., Ltd.	7	240th billing period from PSA signing	
2015-220 RC	Kalinga Apayao Electric Cooperative (KAELCO)	Masinloc Power Partners Co., Ltd.	5	240th billing period from PSA signing	
2016-034 RC	Tarlac I Electric Cooperative, Inc. (TARELCO I)	SMEC Sual Coal Plant	5	1 year from COD	
2016-038 RC	Tarlac I Electric Cooperative, Inc. (TARELCO I)	Limay Power Plant	10	Ten years from COD	In effect
2016-065 RC	Cotabato Electric Cooperative Inc. (COTELCO)	SCPC Malita Coal Plant	10	10 years from COD	In effect
2016-089 RC	Pangasinan III Electric Cooperative Inc	SMEC Sual Coal Plant	10	Date of signing until SCPC's Limay Coal Power Plant is online	
2016-091 RC	Surigao Del Sur II Electric Cooperative (SURESCO II)	SCPC Malita Coal Plant	5	10 years from COD	
2016-094 RC	Zamboanga City Electric Cooperative Inc. (ZAMCELCO)	SCPC Malita Coal Plant	35	10 years from COD	In effect
2016-103 RC	Cotabato Electric Cooperative Inc - PPALMA (COTELCO-PPALMA)	SCPC Malita Coal Plant	10	10 years from COD	
2016-104 RC	Davao Del Norte Electric Corporation (DANECO)	SCPC Malita Coal Plant	20	10 years from COD	
2016-105 RC	Ilocos Sur Electric Cooperative, Inc.	SMEC Sual Coal Plant	5	Date of signing until SCPC's Limay Coal Power Plant is online	
2016-106 RC	Davao Del Sur Electric Cooperative (DASURECO)	SCPC Malita Coal Plant	10	10 years from COD	In effect

2016-107 RC	Siargao Electric Cooperative Inc. (SIARELCO)	SCPC Malita Coal Plant	1	5 years from COD	
2016-108 RC	Lanao Del Norte Electric Cooperative (LANECO)	SCPC Malita Coal Plant	5	10 years from COD	
2016-109 RC	Isabela I Electric Cooperative, Inc.	SMEC Sual Coal Plant	83.21	5 years from COD	In effect
2016-110 RC	Ilocos Sur Electric Cooperative (ISECO)	Limay Power Plant	5	10 years from COD	
2016-111 RC	Isabela II Electric Cooperative, Inc.	SMEC Sual Coal Plant	23	Date of signing until SCPC's Limay Coal Power Plant is online	
2016-118 RC	Misamis Oriental I Rural Electric Service Cooperative (MORESCO I)	SCPC Malita Coal Plant	5	10 years from COD	In effect
2016-119 RC	Agusan Del Sur Electric Cooperative Inc, (ASELCO)	SCPC Malita Coal Plant	10	10 years from COD	
2016-120 RC	Zamboanga Del Sur I Electric Cooperative Inc (ZAMSURECO I)	SCPC Malita Coal Plant	8	10 years from COD	
2016-124 RC	Pangasinan III Electric Cooperative (PANELCO III)	Limay Power Plant	10	10 years from COD	
2016-126 RC	Nueva Vizcaya Electric Cooperative (NUVELCO)	SMEC Sual Coal Plant	12	10 years from COD	In effect
2016-128 RC	Camarines Sur II Electric Cooperative (CASURECO II)	SMEC Sual Coal Plant	10	Date of signing until SCPC's Limay Coal Power Plant is online	
2016-129 RC	Peninsula Electric Cooperative, Inc. (PENELCO)	SMEC Sual Coal Plant	10	Date of signing until SCPC's Limay Coal Power Plant is online	

### SMC's Price Adjustment Legal Battle<sup>67 68</sup>

In 2019, consumers celebrated a hard-won victory when Meralco published the Terms of Reference for its 1,200 MW and 500 MW tenders, which mandated a straight price tariff structure. A straight price provision charges a fixed generation cost over the term of the contract. This tariff structure transfers business risks from hapless electricity consumers to the business owner, which is the generation company. A straight price also enhances competition by leveling the playing field among generation companies, considering that renewable energy power plants do not have fuel costs to consider in their charging. In such bidding, SMC's subsidiary generation companies, South Premier Power Corporation (SPPC) and San Miguel Energy Corporation (SMEC), secured a 650 MW PSA and a 330 MW, respectively.

While consumers were adamant that fossil fuel players will find it extremely difficult to comply with a straight pricing power supply agreement, generation companies insisted that they voluntarily shoulder all the risks of relying on imported fossil fuels—until SPPC and SMEC filed their motions for price adjustment together with Meralco in May 2022.

Members of the Power for People Coalition filed its objections and oppositions to the motions for price adjustments, and eventually secured a historic decision from the ERC, which denied the motions for price adjustments separately filed by SMEC and SPPC, both subsidiaries of SMCGP.

However, SMEC and SPPC filed a petition for Certiorari before the Court of Appeals (CA) to suspend their existing Straight Energy Pricing PSAs and reverse the ERC's decision. Consequently, SPPC's 670 MW PSA was suspended while SMEC's PSA stayed afloat. To make up for the lost capacity of 670 MW, Meralco signed two Emergency Power Supply Agreements (EPSA) having two-part tariff pricing with SPPC offering 300 MW and 180 MW of power respectively. As of May 2023 billing period, the first SPPC EPSA's average generation cost is at 8.5479 php/kWh.

The legal battle continues as consumers call for mandatory straight pricing and accountability for SMC and Meralco, claiming that in the five months that the SPPC PSA was suspended, electricity bills have increased Php 1,370.90-Php 3,363.53 for a 200-500 kWh household, compared to the same month the previous year.

**Figure 18. Generation Rate and Power Rate of a 300 kWh Meralco Household, Jan-May 2023**







*Power for People Coalition files a motion for intervention before the Court of Appeals concerning the case filed by SMC against the ERC, whose recent decision would have a significant impact on electricity prices.*

### **Mobility and heritage conservation advocates oppose ParEx**

The main concerns regarding the PAREX Project are the damage it could do to the Pasig River's ecosystem, the impact it would have on the communities living near the river, the pollution levels that construction and operation of the PAREX Project could cause, the possibility it will only benefit car-owners and not the commuting public, and the numerous heritage sites that would be affected by its construction. Pursuant to this, Metro Manila residents, science, cultural, and architectural organizations, and civic and faith-based groups have banded together to voice their opposition against the PAREX project.

SMC's compliance with the Environmental Impact Assessment Process was brought into question many times by such groups, considered legitimate stakeholders under DAO No. 15, s. of 2017. Anti-Parex activists under the Move as One Coalition (MAOC) filed a series of letters with various government agencies in order to bring attention to the irregularities committed by SMC during the EIA Process. These irregularities include alleged misrepresentations made by SMC regarding its conduct and completion of the EIA Process, along with SMC's failure to consult national cultural agencies prior to and during the preparation of the PAREX project's draft EIS. Anti-PAREX activists also brought to light alleged plagiarism concerning SMC's draft EIS. RHR Consulting Services, Inc., SMC's EIA Preparer for the PAREX Project, had allegedly lifted entire passages from the EIS's of various other projects<sup>69</sup> - a deeply alarming situation given that the DENR-EMB will be relying on the information in the draft and revised EIS in order to issue it an ECC.

During the Public Hearing conducted by the DENR-EMB, these stakeholders did not hesitate to bring up the SMC's problematic conduct of its EIA Process, as well as numerous issues that implementation of the PAREX Project would cause the affected LGUs socially, environmentally, and culturally. Critics held that given the massive scale of the 19.37-km project, the online Public Scoping held by SMC on 14 July 2022 was insufficient given it only had 80-90 participants - a scant number given the PAREX Project will affect five cities. The information in SMC's draft

EIS was also held by some critics to be vague, and full of discrepancies. especially with regard to the alignment of the PAREX Project itself.

Other issues and concerns brought up by the stakeholders during the Public Hearing were the impacts of the PAREX Project on the Pasig River's flood levels, the PAREX project's effect on traffic congestion and carbon emissions, and the possible destruction and damage the PAREX Project could cause the numerous cultural heritage sites along the Pasig River. SMC was also questioned regarding the PAREX Project's possible detrimental social impacts, especially with regard to the urban poor communities who had not been able to participate effectively in SMC's EIA Process and who are at the worst risk of being displaced and relocated by its construction.

SMC is currently awaiting the DENR-EMB's issuance of the PAREX Project's ECC. However, SMC has already held its groundbreaking ceremony on 24 September 2021 with the Toll Regulatory Board, after having signed a Supplementary Toll Operations Agreement with the same on 21 September 2021. MAOC has filed numerous letters with the EMB regarding SMC's various misrepresentations and questionable statements regarding the PAREX Project. However, though the EMB has forwarded SMC these letters and required them to respond, SMC has yet to give satisfactory answers regarding such issues. As the SMC awaits the issuance or non-issuance of its ECC, the Anti-PAREX movement grows stronger.

### **The Oriental Mindoro oil spill**

On 28 February 2023, MT Princess Empress carrying 800,000 liters of industrial fuel sank off the coast of Naujan, Oriental Mindoro, causing an oil spill in the waters of the provinces of Antique, Batangas, Oriental Mindoro, and Palawan. It was later found that the owner of the tanker, RDC Reield Marines Services, Inc. (RDC), was chartered by SL Harbour Bulk Terminal Corporation, which is a subsidiary of San Miguel Shipping and Lighterage Corporation.<sup>70</sup>

Senator Cynthia Villar filed Senate Resolution No. 537 to inquire into the oil spill and its impact on marine biodiversity. In the said investigation, it was estimated that the oil slick from the tanker affected 20,000 hectares of coral reefs, 9,900 hectares of mangroves, and 6,000 hectares of seagrass beds in Oriental Mindoro, Occidental Mindoro, Palawan, and Antique.<sup>71</sup> In the investigation, it was found out that RDC has no or has been operating under a falsified certificate of public convenience.

This oil spill has greatly impacted the lives of the residents of Oriental Mindoro. It has been reported that residents that were affected by the oil spill experience dizziness, nausea, headaches, and fever.<sup>72</sup> In the Situation Report of NDRRMC, the oil spill affected the lives of 42, 487 families; 200,244 persons; 24, 698 affected farmers, caused Php 6,727,298 worth of damage to livestock, poultry, and fisheries industry; and Php 4,918,287,957.74 of estimated damage to agriculture; and an estimated Php 662,713,451.55 of assistance provided.<sup>73</sup>

On 23 March 2023, Oriental Mindoro Governor Humerlito "Bonz" Dolor and an insurance representative announced that victims of the oil spill can start the process of filing for compensation arising from economic losses from the sinking of the MT Princess Empress.<sup>74</sup>

On 07 June 2023, the National Bureau of Investigation's Environmental Crime Division has filed in the Department of Justice multiple cases against 35 people over the sinking of MT Princess Empress. The 7 officials of RDC, 6 crew members of the oil tanker, and 19 members of the PCG were charged for falsification of public document, while 2 RDC officials were charged for



perjury. Charges of falsification of public documents were also filed against MARINA Region V's Director and chief.<sup>75</sup> Despite this, SL Harbour Bulk Terminal Corporation, or its parent company San Miguel Lighterage and Shipping Corporation has yet to be held accountable for the oil spill.

On 08 June 2023, the Protect VIP network flooded the gates of DENR to hold protest in commemoration of the 100th day since the oil spill which coincided with the World Oceans Day. The advocates are seeking the declaration of VIP as a maritime protected area under the Expanded National Integrated

The network lamented the disaster that the waters of the VIP and impacted communities suffered. The group raised fears that the longer it takes to retrieve all remaining and spilled oil, the longer its effects would linger in the area - as was the experience in the similarly devastating Guimaras oil spill. Failure to safeguard the VIP against similar incidents involving toxic cargo in the future would result in even heavier blows to the already affected health of the marine corridor.



*Bringing with them large cardboard letters spelling '100' in which the group tied black ribbons to signify solidarity with communities and lament for biodiversity which continues to be impacted as the oil spill is prolonged.*



*Protect VIP hold an action outside the DENR to call for the inclusion of the Verde Island Passage in the Expanded National Integrated Protected Areas System Act and the issuance of the Guidelines for the Declaration of Non-attainment Areas under the Philippine Clean Water Act*

### **Protect VIP and other environmental organizations pressuring banks to stop fossil fuel financing**

The Protect VIP network, led by its convenor Father Edwin Gariguez who is the recipient of the Goldman Environmental Prize in 2012 together with other environmental organizations have been engaging banks both domestic and international to stop lending and investing in, and facilitating financial transactions for companies behind the expansion of fossil fuels. Most prominent in this list is SMC<sup>76</sup>, which is one of the corporations behind the new planned LNG terminals in the Verde Island Passage which is the “Amazon of the oceans”.

On top of the environmental and social harms of these projects, the network shared concerning reports regarding the financial status of SMC and SMCGP. In October of 2022, Bloomberg reported that SMC faces a serious backlash in terms of a weakening credit profile and legal



risks following the ERC's dismissal of its unit SMC Global Power's rate hike petition and multiple sources of financial drain. SMC Global Power risks a funding shortfall as high as USD 1 billion by June of 2023. Most of its USD 3.4 billion perpetual notes, callable between 2024 and 2026, face high extension risk given its rising funding costs and poor liquidity.<sup>77</sup>

Meanwhile, in March 2023, Fitch Group recommended SMC Global Power (SMCGP) a status of "underperform", stating that it is concerned about whether SMCGP could tap into debt markets for financing, as issues cropped up surrounding its ability to pay back bond creditors. It stated that while there is some headroom for SMCGP to assume more debt without breaching its debt covenants, it questions if SMCGP can adequately access the debt markets at acceptable costs, amid its weak fundamental profile, tighter funding market conditions post the recent banking crisis.<sup>78</sup>

According to the Banking on Climate Chaos 2023 Report<sup>79</sup> and Financing a Fossil Future Report<sup>80</sup>, banks like Standard Chartered, HSBC, ING, Deutsche Bank, DWS, Mizuho, MUFG, SMBC Group, Credit Suisse, UBS, DBS, Latham & Watkins, Allianz, Indosuez, Schroders, UOB, GAM Investment, JP Morgan Chase & Co., Bank of America, Morgan Stanley, Janus Henderson, Mirabaud, OCBC Bank, Capfi Delen, Franklin Templeton, Delen, and Universal Investment are financing SMC.

From 2020 to 2022, Standard Chartered was the largest financier of SMC with the total financed amounting to USD 1,138 million. In 2022 alone, USD 468 million in loans was channeled to SMC with USD 236 million worth of bond underwriting. Ironically, in its Position Statement on Extractive Industries Standard Chartered stated that, "As a key of our mission to be here for good, we only provide financial service to clients who manage their environmental and social impacts responsibility."

Several other foreign financial institutions were found to have provided support for SMC. HSBC has been the 14th largest financier of fossil fuel companies and the 24th largest financier of SMC amounting to USD 54 million.<sup>81</sup> ING being the 35th largest financier of fossil fuel companies, is the 12th largest financier of SMC from 2020 to 2022 with total financing amounting to USD 311 million in 2020 to 2022, and USD 236 million of bond underwriting for 2022. Deutsche Bank is the 25th largest financier of SMC, it has financed SMC USD 54 million from 2020 to 2022. DWS is the 18th largest investor of SMC from 2020 to 2022 with a total of USD 5 million. It is also a bondholder of SMC Global Power Holdings. UBS, the 15th largest financier of SMC financed the latter with USD 154 million with a total investment of USD 30 million in bonds from 2020 to 2022.

In a seminar with the Japan National Diet, CEED, along with Southeast Asian and Japanese civil society, discussed the problems and challenges associated with the Japanese government's promotion of the Green Transformation (GX) strategy. CEED presented on how the massive expansion of fossil gas financed by Japanese financial institutions has been adversely affecting the Verde Island Passage.

Protect VIP and other environmental organizations went to Europe with a mission to meet and engage with top banks to stop investing and financing fossil expansion in the Philippines, especially in the VIP which is the "center of the center" of marine biodiversity in the world. They went as far as to fly out to Japan and Europe to attend closed-door meetings and ask questions in the several bank's AGMs.

Father Gariguez stated that “In the Philippines, Standard Chartered is supporting San Miguel Corporation’s gas plant, which is devastating the Verde Island Passage and wreaking ecological chaos.” Recent data shows that banks and financial institutions are still investing heavily in fossil fuel despite signing up to net-zero pledges. Standard Chartered was the leading financier for San Miguel Corporation over the past five years with USD 1.138 million.<sup>82</sup>

Standard Chartered said it could not comment on client relationships but pointed to its net zero roadmap, which includes a phase-down of oil and gas financing.<sup>83</sup>







*Protect VIP and international cause-oriented groups disrupted HSBC's Annual General Meeting and called to put an end to the financing activities that will allow the continued proliferation of fossil fuels.*



*Protect VIP and international cause-oriented groups demand that UBS put an end to its financing SMC that threatens the biodiversity of VIP and the communities that rely on it.*

## X. Sustainability, clean energy at San Miguel

### Are they green enough?

SMC declares itself as a sustainability champion, holding itself accountable for its company's impact on the environment. SMC claims that zero waste is generated in their brewery and that they have invested in circular business models, and sustainable water and waste management systems. The company also states that thorough social and environmental assessments are conducted for all projects and that possible impacts on communities and the environment are mitigated.

In terms of their climate impact, SMC claims to set improvement targets for their operations to reduce GHG emissions significantly over the next two decades and increase the proportion of investment into renewable energy sources over time. However, no timeline or disclosure of current GHG emissions is available in their list of company policies or anywhere on their website. The same is true for SMC's old power facilities,--many are 21-25 years old--which are mostly coal and gas. It is also important to note that most of the plant facilities have been operating for more than 21 to 25 years. SMC has not announced concrete guidelines or plans to phase out these aging facilities even now that forced outages from fossil fuel power plants, including SMC's own plants, and consequently, yellow and red alerts have been consistent during the summer.

In July 2021, SMC, through its President Ramon Ang, announced that they are executing plans to move away from building new coal facilities, including those that use "clean technology" and moving toward cleaner energy. There is currently no clarity as to which planned CFPP projects will be dropped except for three announced plants in Quezon and Cebu which would

have accounted for about 1500 MW, but data from the DOE from July 2020 shows that SMC was hoping to build new CFPPs with a total capacity of 3,628 MW until the moratorium by the DOE disrupted these plans. SMC has also stated that they are aggressively pursuing more sustainable sources of energy which however include LNG.

SMC's position on LNG as a clean and bridge fuel has been heavily criticized considering the GHG emissions from the extraction, transport, liquefaction, and re-gasification of LNG can be almost equal to the emissions produced from actual gas burning. In addition to this, the offshore oil and gas industry has been found to produce air and marine pollution, and disturb local communities and wildlife.

As for its renewable energy plans, SMC CEO Ramon Ang has stated previously that SMC is eyeing 1,200 MW renewable energy power by 2024 and up to 10,000 MW by 2028. SMC's plans to pursue renewable energy projects are much-needed developments to hasten the energy transition towards renewable energy, from one of the biggest coal and fossil gas developers no less. However, SMC's efforts are muddled by a defined plan to expand coal and fossil gas capacity. At the same time, a clearly defined pathway to achieve SMC's ambitious renewable energy targets is nowhere to be found. Furthermore, being able to achieve such a feat puts into question how necessary it is to continue pursuing coal and fossil gas development.

In 2021, SMC was accredited with the "Gold Award" at The Asset ESG Corporate Awards—an Asian benchmark research specializing in various financial and corporate analyses which includes Market Share Analysis, Direct Client Feedback, and Product Usage Trends. This award is however contradicted by SMC's remaining coal projects in the pipeline and its massive plans to invest in fossil gas and LNG power projects, and the growing number of allegations of non-compliance with environmental laws and irregularities in the environmental impact assessment processes of its LNG power plants in Batangas, Negros Occidental, Cebu, and Leyte. In fact, its public scoping activities for its proposed LNG power plants in Cebu and Leyte have been canceled, which is being attributed to the fierce opposition of environmental groups and civil society organizations on the ground.

In comparison to other power holdings, SMC or SMCGP is also lagging behind in terms of its climate commitments. In 2019, First Gen announced that it will "lead the transition to a decarbonized energy system in line with the UN IPCC target of limiting global warming to 1.5 degree Celsius"<sup>84</sup>, although the eight pathways it enumerated included introducing LNG projects. SMC has not made any commitments to align with the 1.5°C Paris temperature goal.

Moreover, unlike some of the biggest conglomerates in the country such as Ayala Corporation, Sy Family, and JG Summit Holdings, SMC has yet to support the Task Force on Climate-Related Financial Disclosures (TCFD). TCFD is created to develop recommendations on the types of information that should be disclosed by corporations to support investors, lenders, and insurance underwriters in appropriately assessing and pricing a specific set of risks related to climate change.<sup>85</sup>



## XI. Recommendations for SMC

### Fossil Fuel Fiend or Champion of Power Transition?

SMC prides itself as a champion of sustainability and accountability. It claims to have gone well beyond mitigating the problems of climate change or social inequality and has set a goal to “use the present crisis to leap into a future reality that is far better than where we currently find ourselves.” SMCGP, on the other hand, in its Mission and Vision Statement says that it aims to “build a portfolio of sustainable investments, driven by established goals to build shareholder value, mindful of its social, economic, and environmental responsibilities, as it remains to be committed to integrity, honesty, and fairness in all dealings with its stakeholders.”

SMC’s recent pronouncements to abandon coal expansion plans are very welcome and show that they are on the right track towards meeting these goals they have set for themselves. However, a glaring contradiction to this is SMC’s continued pursuit of massive fossil gas and LNG projects, making it the largest fossil gas developer in the country and across Southeast Asia. The following recommendations are provided in order to ensure that the company abandons its fossil fuel plans, and truly aligns itself as a sustainability champion.



#### **1. Align policies and plans with the 1.5°C Paris temperature goal and Sustainable Development Goals**

SMC could play a crucial role in the energy transition as one of the biggest conglomerates in the country, with businesses in a broad range of industries including extractives, midstream fossil gas, power generation, distribution, fuel and oil refining, infrastructure, and many more.

Considering that the climate crisis is creating material financial risks that are associated with the enhanced competitiveness of the renewable energy markets, improved implementation of environmental laws and rules, new policies and laws on climate change, renewable energy, and energy transition, a growing number of litigations against fossil fuel companies, and skyrocketing prices of fossil fuels in the global market, a commitment to align policies and plans with the 1.5°C Paris temperature goal and the United Nations Sustainable Development Goals is not only a moral, social, environmental, and climate imperative but has become a business imperative, as well.

SMC's recent projects have also faced growing opposition concerning their environmental and social impacts, such as EERI's gas-fired power plant in the Amazon of the Oceans, the Bulacan airport and Navotas gas project, which will both impact hectares of mangrove areas, and ParEx, which will threaten the Pasig River. SMC is lagging behind in taking a serious commitment to pursue projects that place the interest of the people front and center, and protect key biodiversity areas. At the very least, SMC should align with the UN Sustainable Development Goals, most especially SDG 14 on conserving and sustainably using the oceans, seas and marine resources for sustainable development.

In aligning its policies and plans with the 1.5°C Paris temperature goal and the United Nations' Sustainable Development Goals, SMC should develop a concrete pathway that includes the following:



***a. Cancel all new and expansion coal power projects and discontinue coal exploration projects***

If SMC is true to its announcement that it will move away from building new coal facilities, it should cancel all of its remaining proposed greenfield coal projects on top of the three projects in Pagbilao and Sariaya, Quezon and Looc, Cebu that it has already dropped due to the coal moratorium. Currently, SMCGP is still pushing through with its Mariveles Power Generation Corporation's 2 x 150 MW CFPP in Mariveles, Bataan.

In a 1.5°C pathway, there is no more room for any coal projects. Thus, there is no reason for SMC to distinguish between greenfield and brownfield investments in the dirtiest fossil fuel. It should also cancel Units 4 and 5 of Masinloc Power Partners Co., Ltd.'s Masinloc CFPP in Masinloc, Zambales, Mariveles Power Generation Corp.'s (MPGC) 1200 MW Coal-Fired Power Plant, and Phase 3 of its 44.40 MW Refinery Solid Fuel-Fired Boiler Project in Limay, Bataan.

With coal prices having more than doubled in value in 2022, with supply disruptions in top exporting countries such as Indonesia and Australia, SMC and the Philippines must follow global signals and respond to the imperatives of the climate crisis toward a complete coal phase-out. SMCGP should by now know the risks of continuing with coal projects considering the Php 15 billion losses it claims to have incurred from its coal power plant in Sual, Pangasinan.

Finally, considering all these, it makes no business sense to exercise its coal exploration, production, and development rights over approximately 17,000

hectares of land in Mindanao, for which it has recently requested an extension of its license until 2029.



### ***b. Abandon massive plans for fossil gas and LNG***

SMC cannot peddle the “bridge fuel” narrative while proposing the biggest capacity for fossil gas and LNG projects not only in the Philippines but the entire Southeast Asia region. It cannot espouse its core value of “malasakit” if it will profit off of another fossil fuel that serves as a detour to the country’s energy transition and further aggravates the climate crisis that burdens millions of Filipinos.

The location of SMC’s proposed EERI gas power plant will also pose grave reputational risks for the company. As it stands, the majority of fossil gas power plants are situated along the Verde Island Passage, a marine corridor proclaimed as the center of the center of marine shore fish biodiversity in the world. The proposed power plants and LNG terminals threaten to contribute to the already declining water quality and marine ecology in the area. SMC should expect public pressure and mounting opposition from environmental and conservation groups and communities dependent on the VIP if it insists on continuing harmful projects in the area.

While fossil gas may be considered the new preferred energy source despite the brimming potential of renewable energy in the country, major power players such as SMC should assess the projected methane emissions of their proposed projects and how this can derail our climate goals.

The investments needed for LNG terminals, pipelines, and other necessary infrastructure would be massive, and given that the country is still in the planning stages of this, it is likely that pushing through with expansion would lock the country into fossil gas until mid-century. Fossil gas prices have also been very turbulent and reliance on importation, given that the Malampaya Gas Field is running out, would mean that we would be highly impacted by unpredictable global tensions and variable supplies. Without a clear exit strategy, it will be uncertain how long the country will become subject to these variables that ultimately affect prices shouldered by consumers.



### ***c. Retire old and inefficient coal plants, especially power plants that have been experiencing recurring and prolonged outages***

To reduce its GHG emissions, SMC should start with formulating a roadmap for the early retirement of its old, unreliable, and inefficient coal plants. This is also important considering that the DOE is already formulating a policy for the retirement of old power plants and more and more electricity consumers are now demanding higher penalties for unreliable and old power plants.

It is well documented in recent years how old and relatively new coal plants alike have been undergoing forced outages. The recent string of yellow and red alerts in the Luzon grid since last year have been attributed to supply drops, primarily due to unplanned outages and derating of coal-fired power plants, including SMC’s coal plants in Masinloc and Limay.



**2. Lead the energy transition by raising ambitions for renewable energy and other enabling infrastructures and developing a concrete roadmap to achieve these targets**

SMC plans to invest in up to 10 GW of renewable energy in the next 10 years. While this is already one of the biggest RE commitments among power companies in the country, SMC’s fossil gas and LNG plans far exceed this at 14.1 GW. It cannot flaunt its RE commitments while also derailing the country’s energy transition with another fossil fuel.

As one of the biggest conglomerates in the country, SMC is in the position to take the lead in the energy transition by redirecting investments from fossil gas to renewable energy and further raising ambitions. In the same way that SMC must provide a pathway in phasing-out fossil fuels, it must also provide a detailed roadmap in achieving its renewable energy targets. This makes more business sense now considering the full implementation of the Renewable Energy Act, the now annual Green Energy Auction Program, and the falling prices of renewable energy.

To further hasten the country’s energy transition, SMC’s continued investments in other enabling infrastructures such as BESS projects will allow renewable energy to provide short, medium, and long-term solutions to current power issues, including peak shaving and load shifting.



**3. Assess and manage climate-related risks and opportunities and financial impacts, and support the Task Force on Climate-Related Financial Disclosures**

There is a growing number of Philippine companies supporting the TCFD, and in turn, assessing and managing climate-related risks and opportunities and financial impacts. The disclosure of these climate risks would guide not only SMC but its shareholders and stakeholders in making informed choices in an increasingly carbon-constrained world. The value of climate-disclosure information and the company’s plans for a low-carbon economy is becoming increasingly valuable for stakeholders. This is especially true for SMC, which has shareholders affiliated with the Catholic Church, which has made a critical call for action from its congregation and accountability from financial institutions, energy and extractive companies, and government leaders to turn away from fossil fuels.



**4. Take responsibility and accountability for the impacts of its businesses to the lives, health, and environment of stakeholders, and enhance implementation of human rights due diligence**

Despite being awarded at The Asset ESG Corporate Awards, there are many frontline communities, civil society organizations, and various groups that share stories of violations and reprisals concerning several SMC projects, especially in its power generation businesses. For instance, in its coal power plants, there are allegations of land grabbing in three different project sites in Limay, Mariveles, and Sariaya. This year, in its consecutive public scoping activities for fossil gas and LNG projects in Limay, San Carlos, Lapu-lapu, and Tabango, communities,

and environmental groups opposed due to procedural irregularities, among other reasons.

The long list of complaints against SMC projects, especially in the energy sector, is a glaring sign for the company to go beyond the ESG standard and take responsibility and accountability for the impacts of its businesses in the lives, health, and environment of stakeholders. SMC should take a proactive attitude in addressing complaints of procedural irregularities and violations of due process, environmental rights, and land rights, among others, and ensure that these are no recurring complaints regarding its projects. This should include assessing and managing both direct and indirect adverse human rights impacts in its businesses.

## Annexes

### Annex A: Summary of SMC Global Power's Power Portfolio<sup>86</sup>

Power Plant	Location	Ownership	Type	Capacity	Year of Commissioning	Year of Acquisition
Sual Power Plant	Sual, Pangasinan	IPP Administrator	Coal	2x500 MW	1999	Acquired in 2009
San Roque Power Plant	San Manuel, Pangasinan	IPP Administrator	Hydroelectric	345 MW	2003	Acquired in 2010
Ilijan Power Plant	Ilijan, Batangas	IPP Administrator	Natural gas	1,200 MW	2000	Acquired in 2010
Davao Greenfield Power Plant	Malita, Davao del Sur	Wholly owned	Coal (Greenfield)	2x150 MW	2016	2017 and 2018
Limay Greenfield Power Plant	Limay, Bataan	Wholly owned	Coal	4x150 MW	2017	2017, 2018, and 2019
Angat 1 Hydroelectric Power Plant	Angat, Bulacan	60% ownership	Hydroelectric	218 MW	1967	Acquired in 2014
Masinloc Power Plant	Masinloc, Zambales	51% ownership of SMCGP Masin Pte. Ltd. And 49% of AES Phil Investment Pte and owns 100% of Alpha Waters (owner of land in Zambales) through its subsidiaries	Coal	Unit 1 - 330 MW Unit 2- 344 MW Unit 3 – 351.75 MW 10 MWh battery energy storage system	1998	Acquired in 2018
Kabankalan BESS	Kabankalan, Negros Occidental	SMC Global Power owns PEGC and OPGC which purchased the entire partnership interests in SMCGP Philippines Energy that owns Kabankalan BESS	-	20 MWh	Substantial completion in December 2020	
Tagum Peaking Power Plant	Tagum City, Davao del Norte	Wholly owned by subsidiary (SEDI)	Multi-fuel	15 MW	2013	Acquired in 2020
Mariveles Power Plant	Mariveles, Bataan	91.98% ownership	Coal	4x150 MW	TBD	Acquired in 2020





**Annex B: List of SMC Power Supply Agreements**

Distribution Utility/ Electric Cooperative	Generation Company	Generation Plant Station and Location	Contract	Source	Contracted Capacity (kW)	Generation Charge (Php/kWh)	DU Blended Rate Before (Php/kWh)	DU Blended Rate After (Php/kWh)	Status	Duration, From	Duration, To	
<b>Cordillera Administrative Region</b>												
ABRA Electric Coop (ABRECO)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	7000	3.7495	4.55	3.498	Granted Interim relief	Dec 26 2018	Dec 25 2038	
Kalinga-Apayao Electric Coop (KAELCO)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	5000	3.7495	5.0765	4.4091	Granted Interim relief			
Mountain Province Electric Cooperative, inc. (MOPRECO)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	4000	n/a	4.9089	4.2018	Granted Interim relief	Aug 26, 2012	Aug 25, 2017	
<b>Region I Ilocos Norte</b>												
Ilocos Norte Electric Coop (INEC)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	51000	3.7495	4.9017	4.1433	Granted Interim relief	Dec 26 2018	Dec 25 2038	

Ilocos Sur Electric Coop (ISECO)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Contract	Coal	5000	3.9203	4.626	4.428	Provisionally Approved	Mar 26 2013	Mar 25 2024
	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	7000	3.7495	3.9918	4.005	Granted Interim relief	Dec 26 2018	Dec 25 2038
	SMC Consolidated Power Corp	300 MW power plant in Limay, Bataan	Power Supply Contract	Coal	5000		4.1406	4.0668			
La Union Electric Coop (LUELCO)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	27000	3.7495	4.4772	4.2003	Granted Interim relief	Dec 26 2018	Dec 25 2038
La Union Electric Co (LUECO)	Masinloc Power Partners		EPPA	Coal	44580					August 26 2021	February 25 2032
Pangasinan I Electric Coop (PANELCO I)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	CSE	Coal	16610	4.38			Provisionally Approved	Oct 26 2012	Oct 25 2022
Pangasinan III Electric Coop (PANELCO III)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	10000	3.7495	3.9536	3.7654	Granted Interim relief	Dec 26 2018	Dec 25 2038
Pangasinan III Electric Coop (PANELCO II)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Agreement	Coal	10000				Provisionally Approved	Aug 26 2014	Aug 25 2029
Central Pangasinan Electric Coop (CENPELCO)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Agreement	Coal	40000	4.3	4.7151	4.2443	Provisionally Approved	Jun 26 2014	Jun 25 2026

Region II Cagayan Valley												
Isabela I Elec Coop (ISELCO I)	Mariveles Power Gen Corp	600 MW in Mariveles, Bataan	Power Supply Agreement	Coal	250000		5.4674	4.3351	Approved	May 26 2022	May 25 2037	
Nueva Viscaya Electric Cooperative (NUVELCO)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Suai, Pangasinan	Power Supply Agreement	Coal	12000				Approved	Dec 26 2016	Dec 25 2026	
Region III Central Luzon												
Olongapo Electricity Distribution Company (OEDC)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Suai, Pangasinan	Power Supply Contract	Coal	34000					Dec 26 2018	Dec 25 2023	
Clark Electric Distribution Company	Strategic Power Development Corporation	345 MW San Roque Hydroelectric Power Plant in San Roque, Pangasinan	Power Supply Agreement	Hydro	25000	4.1512			Provisional Authority	Dec 26 2020	Dec 25 2025	
Aurora Elec Coop (AUJELCO)	Mariveles Power Gen Corp	600 MW in Mariveles, Bataan	Power Supply Contract	Coal	5000		3.582	3.5005				
Tarlac I Electric Coop (TARELCO I)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	CSE	Coal		5.2			Provisionally Approved	Dec 26 2013	Dec 25 2022	
	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Suai, Pangasinan	Power Supply Contract	Coal	5000	4.1648	4.5638	4.271	Provisionally Approved	Dec 26 2013	Dec 25 2027	
	Mariveles Power Gen Corp	600 MW in Mariveles, Bataan	Power Supply Contract	Coal	12000		4.3773	4.1329				
	SMC Consolidated Power Corp	300 MW power plant in Limay, Bataan	Power Supply Contract	Coal	10000		5.4509	4.155				

Tarlac II Electric Coop (TARELCO II)	SMC Consolidated Power Corp	300 MW power plant in Limay, Bataan	Power Supply Contract	Coal	15000				5.1714	4.3358				
Nueva Ecija II Electric Coop Area I (NEECO II Area II)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	PSA	Coal	37000	3.6404			5.92	4.85	Granted Provisional Authority	Dec 26 2020	Dec 25 2030	
Zambales I Electric Coop (ZAMECO I)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	CSE	Coal		4.38					Provisionally Approved	Dec 18 2008	Dec 16 2022	
Zambales II Electric Coop (ZAMECO II)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	CSE	Coal		4.31						Apr 26 2012	Feb 25 2025	
Pampanga I Electric Coop (PELCO I)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	CSE	Coal		4.38					Provisionally Approved	May 1 2012	Sep 22 2022	
Peninsula Electric Coop (PENELCO)	SMC Consolidated Power Corp	300 MW power plant in Limay, Bataan	Power Supply Contract	Coal	20000				5.0839	4.7639				
Subic EnerZone Corporation	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	PSA	Coal	10000						Interim Relief	26 March 2021	25 March 2026	
<b>National Capital Region</b>														



Manila Electric Company (MERALCO)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Agreement	Coal	330000	4.0459	4.7012	4.6314	Granted Interim Relief	Dec 26, 2019	Dec 25, 2029
	South Premiere Power Corporation	1200 MW Combined Cycle Gas Power Plant in Ilijan, Batangas	Power Supply Agreement	Fossil gas	670000	4.0459	4.7732	4.6314	Granted Interim Relief	Dec 26, 2019	Dec 25, 2029
	South Premiere Power Corporation	1200 MW Combined Cycle Gas Power Plant in Ilijan, Batangas	Power Supply Agreement	Fossil gas	290000	4.8525	5.6208	5.4348	Granted Interim Relief	Dec 26, 2019	Dec 25, 2024
	South Premiere Power Corporation	1200 MW Combined Cycle Gas Power Plant in Ilijan, Batangas	Emergency Power Supply Agreement	Fossil gas	300000					March 26, 2023	March 25, 2024
	South Premiere Power Corporation	1200 MW Combined Cycle Gas Power Plant in Ilijan, Batangas	Emergency Power Supply Agreement	Fossil gas	180000					March 23, 2023	March 24, 2024
<b>Region 4A Calabarzon</b>											
Batangas I Electric Coop (BATELEC I)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	30000				Provisional Authority		
<b>Region 5 Bicol</b>											
Camarinés Sur I Electric Coop (CASURECO I)	Limay Premiere Power Corp	300 MW Circulating fluidized bed coal-fired thermal power plant in Limay, Bataan	Power Supply Contract	Coal			4.1104	3.8813		Dec 26, 2016	Dec 25, 2026

Camarines Sur II Electric Coop (CASURECO II)	Masinloc Power Partners	600 MW Super-critical pulverised coal-fired power plant in Masinloc, Zambales	Power Supply Agreement	Coal	10000	4.85	4.6067	3.3327		May 26 2010	May 25 2026
	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Interim Supply Contract	Coal	10000	4.45			Provisional Authority	Oct 26 2014	Oct 25 2024
	Limay Premiere Power Corp	300 MW Circulating fluidized bed coal-fired thermal power plant in Limay, Bataan	Power Supply Contract	Coal	1000		4.41	4.7			
	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Contract	Coal	9000	5.6	3.5106	3.5163		Dec 26 2019	Dec 25 2026
<b>Region 6 Western Visayas</b>											
Bohol I Electric Coop (BOHECO I)	San Miguel Energy Corp	1200 MW Net contracted capacity coal-fired thermal power plant in Sual, Pangasinan	Power Supply Agreement	Coal	1200		5.336	5.3251		Jun 26 2018	Dec 25 2023
	Mariveles Power Gen Corp	600 MW in Mariveles, Bataan	Power Supply Contract	Coal	12000						
	Mariveles Power Gen Corp	600 MW in Mariveles, Bataan	Power Supply Contract	Coal	20000				Approved		
<b>Region 9 Zamboanga Peninsula</b>											
Zamboanga City Electric Cooperative Inc. (ZAMCELCO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	35000		7.4336	8.25	Granted Interim Relief	October 10, 2016	October 10, 2026

Region 10 Northern Mindanao												
Misamis Oriental I Rural Electric Service Cooperative (MORESCO I)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	5000	4.3383	3.8767	4.041	Granted Interim Relief	June 27, 2017	June 27, 2027	
Lanao del Norte Electric Cooperative (LANECCO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	5000		5.8484	5.7863	Granted Interim Relief	February 6, 2017	February 6, 2027	
Region 11 Davao												
Davao Light and Power Company, Inc. (DLPC)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	60000		4.1628	4.399	Provisionally Approved	June 20, 2017	June 20, 2027	
Davao Del Norte Electric Cooperative (DANECCO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	20000	4.49	5.49	5.08	Provisionally Approved	August 8, 2017	August 8, 2027	
Davao del Sur Electric Cooperative, Inc. (DASURECO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	10000		6.252	5.7738				
Region 12 SOCCSKSARGEN												
Cotabato Electric Cooperative (COTELCO-Main)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	10000		5.0979	4.7749	Granted Interim Relief			
Cotabato Light and Power Company (CLPC)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	5000		3.7509	4.1021	Provisionally Approved	June 27, 2017	June 27, 2027	

Region 13 CARAGA												
Siargao Electric Cooperative (SIARELCO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	2000			2.833	3.91	Granted Interim Relief		Nov 4, 2016
Agusan del Sur Electric Cooperative, Inc. (ASELCO)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	10000			5.743	5.651			
Surigao del Sur II Electric Cooperative, Inc. (SURSECO II)	SMC Consolidated Power Corp	300 MW Circulating fluidized Bed coal-fired thermal Power Plant in Malita, Davao Del Sur	Power Supply Contract	Coal	5000			8.107	8.9892	Granted Interim Relief		Nov 4, 2026

## Annex C: Top 100 Stockholders of SMC

The Top 100 Stockholders of SMC <sup>87</sup>		
Stock Holder Name and ranking	Total Common Shares	% of Outstanding shares
1 TOP FRONTIER INVESTMENT HOLDINGS, INC.	1,424,111,661	59.738819 %
2 PRIVADO HOLDINGS, CORP.	368,140,516	15.442806%
3 PCD NOMINEE CORPORATION (FILIPINO)	291,628,293	12.233261 %
4 PCD NOMINEE CORPORATION (NON-FILIPINO)	115,482,456	4.844273 %
5 REPUBLIC OF THE PHILIPPINES	27,636,339	1.159293%
6 PETRON CORPORATION EMPLOYEES' RETIREMENT PLAN	12,237,100	0.513323%
7 MILLENNIUM ENERGY, INC.	10,807,380	0.453349%
8 SYSMART CORPORATION	5,100,607	0.213961%
9. SOLEDAD O. COJUANGCO	2,297,222	0.096364 %
10 MARINE SHORE INVESTMENT HOLDINGS, INC.	2,089,660	0.087657%
11 EVERETT STEAMSHIP CORPORATION	1,903,330	0.079841%
12 GINGOOG HOLDINGS CORPORATION	1,830,082	0.076769%
13 RAMON S. ANG	1,345,429	0.056438%
14 MACRINA LEYSON	1,144,752	0.048020%
15 CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE INC. A/C NO 2	957,516	0.040166%
16 PAC RIM REALTY & DEVELOPMENT CORP.	912,050	0.038259%
17 THE ROMAN CATHOLIC BISHOP OF TUGUEGARAO	856,639	0.035934%
18 REAL MONASTERIO DE LA PURISIMA CONCEPCION DE NUESTRA MADRE SANTA CLARA DE MANILA	810,282	0.033990%
19 CHENG SIOK TUAN	689,113	0.028907%
20 LUCKY STAR HOLDINGS, INC.	666,283	0.027949%
21 JAIME DEE	624,544	0.026198%
22 A M T DEVELOPMENT CORPORATION	603,991	0.025336%



23 CARMEL OF ST. THERESE OF THE CHILD JESUS	592,956	0.024873%
24 LUISA CO	582,874	0.024450%
25 DOMINION DEVELOPMENT & INVEST., INC.	527,318	0.022120%
26 Q-TECH ALLIANCE HOLDINGS, INC.	456,000	0.019128%
27 THE DISCALCED CARMELITE NUNS OF CEBU	451,864	0.018955%
28 FRANCISCO C. YAP AND/OR LEONORA W. YAP AND/ OR TERESA W. YAP	441,751	0.018531%
29 FERDINAND K. CONSTANTINO	415,092	0.017412%
30 MARCOS O. COJUANGCO	382,870	0.016061%
31 MARGARITA O. COJUANGCO - BARRERA	382,870	0.016061%
32 MA. LUISA O. COJUANGCO - CRUZ	382,870	0.016061%
33 CARLOS O. COJUANGCO	382,870	0.016061%
34 ARLE REALTY & DEV'T CORP.	360,000	0.015101%
35 DE CASTRO DEVELOPMENT INC.	346,163	0.014521%
36 E. SANTAMARIA & CO. INC.	340,280	0.014274%
37 LOURDES MARIANO DE LAFONT	336,685	0.014123%
38 RELIGIOUS OF THE VIRGIN MARY	333,649	0.013996%
39 ROSELLA R. DACER	330,071	0.013846%
40 CHRISTINE CHUNG	327,523	0.013739%
41 LAURA G. NARCUE	307,223	0.012887%
42 CARMEL OF OUR LADY, MARY MEDIATRIX OF ALL GRACE, INC.	302,986	0.012710%
43 CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE INC A/C NO 1	295,402	0.012392%
44 C S P DEVELOPMENT ENTERPRISES & CO. INC.	287,332	0.012053%
45 FRANCISCO S. ALEJO III	281,346	0.011802%
46 CATHERINE CHUNGUNCO	276,449	0.011597%
47 CAMILLE SO CHUNGUNCO	273,464	0.011471%

48 CONSTANCIA LEYSON	273,164	0.011459%
49 LETICIA C. LEDESMA	270,524	0.011348%
50 FELICITAS REBANAL	269,967	0.011325%
51 MARCIAL SALVADOR	267,919	0.011239%
52 RELIGIOUS OF THE VIRGIN MARY-A	265,277	0.011128%
53 LUZON CHAPTER NO. 1 ROYAL ARCH MASONS, INC.	260,697	0.010936%
54 L. M. SY-QUIA, INC.	256,779	0.010771%
55 JAIME DEE	255,080	0.010700%
56 V & O COMPANY, INC.	246,796	0.010353%
57 EILLEN LUISA ANG CHEN	245,496	0.010298%
58 BERNADETTE S. GO	242,738	0.010182%
59 DAPHNE G. EBRO	239,538	0.010048%
60 JOSEFINA M. F. ATILANO	233,627	0.009800%
61 JOSE MARIA DE INZA Y TUDANCA	233,546	0.009797%
62 MAJENT MANAGEMENT & DEVELOPMENT CORPORATION	231,557	0.009713%
63 ROMAN CATHOLIC BISHOP OF BANGUED, INC. -CAT FUND-	231,426	0.009708%
64 GLORIA DEE LIM	226,230	0.009490%
65 ROSITA CUAYCONG	224,725	0.009427%
66 ROSARIO LAING VDA. DE COUTO	224,000	0.009396%
67 MARIA LOURDES TUASON	219,859	0.009223%
68 PRELATURE OF SAN JOSE, ANTIQUE	217,977	0.009144%
69 THE PHILIPPINE AMERICAN INVESTMENTS CORPORATION	216,256	0.009072%
70 HK CDA (PHILS.) LAND AND DEVELOPMENT CORP.	214,303	0.008990%
71 HARRY P. HEARY	211,801	0.008885%

72 ST. JOSEPH'S CONVENT OF PERPETUAL ADORATION	211,404	0.008868%
73 GEMMA I. ALIVIO	202,603	0.008499%
74 FELICIDAD M. DE MASCUNANA AND/OR MARINA MASCUNANA AND/OR YOLANDA M. GARCIA	198,712	0.008336%
75 THE ROMAN CATHOLIC ARCHBISHOP OF SAN FERNANDO	193,034	0.008097%
76 ARTHUR T. CHUA	190,157	0.007977%
77 CARMEN CHUNGUNCO	188,763	0.007918%
78 ANDRES ROMERO	184,525	0.007740%
79 MIGUEL ENRIQUE SINGSON ROA	184,100	0.007723%
80 ROSA WONG &/OR JACINTA -BETTY- WONG	183,573	0.007701%
81 FLEET CLEARING CORPORATION	182,422	0.007652%
82 AURORA S. UY &/OR MICHAEL S. UY	175,312	0.007354%
83 SIMON PAZ	175,200	0.007349%
84 LOURDES R. VILLACORTA	173,067	0.007260%
85 MARIA PRESENTACION DE INZA Y CERDEIRA	171,706	0.007203%
86 JOSE MARIA DE INZA Y CERDEIRA	171,706	0.007203%
87 MARIA ASUNCION SYQUIA	169,813	0.007123%
88 MARIA DE LA ESTRELLA DE INZA Y CERDEIRA	167,442	0.007024%
89 HERMOGENA CEDELLO PORTER	166,755	0.006995%
90 ASILO DE SAN VICENTE DE PAUL	165,952	0.006961%
91 P & L MEDALLE REALTY CORPORATION	163,329	0.006851%
92 JESUS J. SISON	162,457	0.006815%
93 VIRGINIA V. TORDESILLAS	162,055	0.006798%
94 MARINA MASCUNANA AND/OR YOLANDA GARCIA	160,622	0.006738%

95 MENSA DOMINI INSTITUTE	158,539	0.006650%
96 FLORANTE MANUCDOC	157,500	0.006607%
97 MARIA S. DE FANLO	157,489	0.006606%
98 VIRGILIO S. JACINTO	155,208	0.006511%
99 ROMAN CATHOLIC BISHOP OF THE DIOCESE OF IMUS FOR THE SUPPORT OF POOR BUT DESERVING SEMINARIANS OF THE DIOCESE	153,331	0.006432 %
100 MARGARITA MARIA OTERO Y LOGAN	152,508	0.006397%

#### Annex D: Top 10 Stockholders of Top Frontier Investment Holdings

The Top 10 Stockholders of Top frontier investment holdings <sup>88</sup>		
Stock Holder Name and ranking	Total Common Shares	% of Outstanding Shares
1 INIGO U. ZOBEL	199,601,517	59.960893 %
2 MASTER YEAR LIMITED	49,799,900	14.960039 %
3 PRIVADO HOLDINGS, CORP.	36,814,051	11.059051 %
4 PCD NOMINEE CORPORATION (FILIPINO)	26,725,030	8.028279 %
5 PCGG IN TRUST FOR THE COMPREHENSIVE AGRARIAN REFORM PROGRAM	2,763,633	0.830204 %
6 SAN MIGUEL CORPORATION	2,561,031	0.769341 %
7 PCD NOMINEE CORPORATION (NON-FILIPINO)	1,280,447	0.384650 %
8 MILLENNIUM ENERGY, INC.	1,080,738	0.324657 %
9 SYSMART CORPORATION	461,482	0.138631 %
10 MARINE SHORE INVESTMENT HOLDINGS, INC.	258,767	0.077734 %

## Endnotes

- 1 San Miguel Corporation, our Company. <https://www.sanmiguel.com.ph/page/our-company>
- 2 Total outstanding share is composed of direct and indirect shares. Direct shares include common and preferred shares while indirect shares include mutual funds.
- 3 Forbes, Top Frontier Investment and Holdings, Profile  
<https://www.forbes.com/companies/top-frontier-investment-holdings/?sh=5efc038b3d7a>
- 4 San Miguel Corporation, Corporate Structure. <https://www.sanmiguel.com.ph/page/corporate-structure>
- 5 San Miguel Corporation, SMC - Top 100 Stockholders as of March 31, 2023.  
[https://www.sanmiguel.com.ph/storage/files/reports/SMC-Top%20100%20Stockholders%20as%20of%20March%2031,%202023%20\(04.17.2023\).pdf](https://www.sanmiguel.com.ph/storage/files/reports/SMC-Top%20100%20Stockholders%20as%20of%20March%2031,%202023%20(04.17.2023).pdf)
- 6 Philippine bishops call for action on ecological emergency  
<https://www.indcatholicnews.com/news/44032>
- 7 SMC Global Power Holding Corporation, SMCGP Annual Report 2022, p. 3
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