

Financing the Philippines' untapped renewable potential away from a fossil fuel lock-in



The Philippines has one of the most fossil-fuel-dependent and import-exposed energy systems in Southeast Asia. Fossil fuels account for a major share of primary energy supply and power generation. The country ramped up liquefied natural gas (LNG) imports from 2023 to offset declining domestic production, but as several gas-fired power plant projects have been stalled, imports exceed offtake. Meanwhile, **renewables are progressively scaled up but remain largely untapped compared to the country's outstanding potential.**

A fossil fuel-dominated and vulnerable energy system

Fossil fuels supplied more than 70% of the country's primary energy in 2024.¹ Coal accounts for about 60% of power generation, natural gas more than 17%, and renewables 24%,² consisting mainly of hydropower (11% of generation) and geothermal (8%), with solar (4%) and wind (1%) gradually developing.³

This reliance on fossil fuels has exposed the country to energy dependence and insecurity. Increasing fossil fuel imports have steadily undermined the country's independence. The Philippines' energy self-sufficiency ratio eroded to 45% in 2024 (against 54.4% in 2016).⁴ The country imported 75% of its coal in 2024, nearly entirely from Indonesia,⁵ and an overwhelming share of its oil products from the Middle East. LNG imports have ramped up since 2023 to offset declining domestic production, reinforcing the country's energy dependence.⁶

Fossil fuels strain the country's power system and lead to energy insecurity. As electricity demand continues to grow, reserve margins are tightening because of aging power plants and grid constraints. In 2024, the Wholesale Electricity Spot Market (WESM)⁷ was suspended more than 2,000 times due to red alert notices.^{8,9} Unscheduled maintenance of ageing coal-fired power plants causes unplanned outages, in turn leading to large-scale load shedding.¹⁰

¹ About 34% for coal and 36% for oil; see Table 14.1a (p.562) of the Philippines Statistical Authority, [2025 Philippines Statistical Yearbook](#), October 2025

² And more than 35% of installed capacity; see Table 14.15 (p.571) of the Philippines Statistical Authority, [2025 Philippines Statistical Yearbook](#), October 2025

³ International Energy Agency, [Energy Transition Review for Enhancing Co-operation - The Philippines' power sector](#), June 2026

⁴ Ratio between domestic energy and imported energy in kTOE; see Table 14.1a (p.562) of the Philippines Statistical Authority, [2025 Philippines Statistical Yearbook](#), October 2025

⁵ Which has set a coal export ban amid the 2022 energy crisis and coal export taxes in 2026.

⁶ In 2024, imports had risen to nearly half of total natural gas primary energy supply, while before 2023, the country was self-sufficient with its domestic production. The same year, more than 95% of crude oil was imported from the Middle East, including more than 50% from Saudi Arabia and 30% from the UAE; see Table 14.1a (p.562) and Table 14.7 (p.567) of the Philippines Statistical Authority, [2025 Philippines Statistical Yearbook](#), October 2025

⁷ The WESM is the central centralized venue in the Philippines where electricity is traded as a commodity between power generators and large consumers. The Energy Regulatory Commission (ERC) suspends the WESM during red alert notices primarily to shield consumers from predatory, hyper-volatile electricity price spikes.

⁸ The National Grid Corporation of the Philippines (NGCP) issues yellow and red alert notices. The former means power outages are likely as plants are producing less than the grid's contingency requirement, and the latter is issued when power supply is insufficient to meet consumer demand and the transmission grid's regulatory requirements.

⁹ Philippine Institute for Development Studies, [How Energy Secure is the Philippines?](#), December 2023 [June 2026 update](#)

¹⁰ Asian Power, [Forced outages and coal reliance expose Philippine grid to price spikes](#), July 2026

Fossil fuels contribute to high and volatile electricity prices. Electricity prices in the Philippines are among the highest in Southeast Asia, with household electricity expenditure averaging 11% of monthly income in 2023.¹¹ The country's heavy dependence on imported fossil fuels contributes to high and unstable electricity prices – the Philippines is the second most exposed country in ASEAN to fossil fuel price volatility.¹²



An uncertain and hazardous LNG build-out

Domestic gas production has gradually decreased, with the Malampaya fields projected to be depleted by 2027. **The Philippines began importing LNG in 2023 to offset this decline**, initially through two existing import terminals with a combined capacity of 10.3 million tons per annum (mtpa).^{13,14} Imports increased significantly in 2025 amid rising demand from new gas-fired power plants, albeit from a small base.¹⁵

But the LNG buildout has been constrained by several factors. Several flagship LNG projects – e.g. Enex Energy's Batangas Clean Energy,¹⁶ A Brown's Batangas LNG,¹⁷ and Energy World Corporation's LNG-to-power Pagbilao¹⁸ projects – **were cancelled or suspended** in the last year, due to a lack of offtake, LNG market tightness, the global gas turbine shortage, and fierce local opposition. In Batangas, coastal communities especially fisherfolk strongly object to these projects due to the threat to marine biodiversity and their primary livelihoods. Despite more than 10 GW of proposed capacity, no new gas-fired power plants are expected to be commissioned through 2035.¹⁹

On the supply side, the 2023-2050 Philippine Energy Plan (PEP) estimated an 8.3% annual

¹¹ International Energy Agency, [Energy Transition Review for Enhancing Co-operation - The Philippines' power sector](#), June 2026

¹² Economic Research Institute for ASEAN and East Asia, [Energy Security Risks in ASEAN: Modern Perspectives and Emerging Challenges](#), November 2025

¹³ Including 3mtpa for PHLNG import terminal and 5 mtpa for FGEN Batangas LNG terminal

¹⁴ GIGNL, [Philippines to increase its LNG imports to cope with gas field depletion](#), July 2025

¹⁵ Reuters, [Philippines set for first coal power decline in 17 years amid rising LNG use](#), July 2025

¹⁶ Philstar, [Ayala axing gas project amid offtake woes](#), November 2025

¹⁷ Manila Standard, [A Brown suspends 900-megawatt Batangas LNG Project](#), December 2025

¹⁸ Institute for Energy Economics and Financial Analysis, [Gas turbine sale signals the end of another Philippine LNG project](#), June 2026

¹⁹ Apart from Excellent Energy Resources Inc.'s LNG-compatible Batangas CCGT, commissioned in 2025. See Institute for Energy Economics and Financial Analysis (IEEFA), [Global gas turbine shortages add to LNG challenges in Vietnam and the Philippines](#), October 2025

increase in LNG imports over 2023-2050 to offset declining domestic production, and planned to develop seven LNG projects over the period, bringing total regasification capacity to 36.5 mtpa.²⁰ However, **terminal capacity already exceeds demand**: as of 2025, the country was far from using the full capacity of the two existing terminals, and the country's energy secretary did not expect new import infrastructure due to the low utilization of plants.²¹ Recent discoveries in the Malampaya field²² cast further doubt on the merit of any LNG import terminal development.

A fully-fledged LNG buildout would only further lock the country into energy dependence and increase price volatility and geopolitical risk exposure. The bankability of LNG import terminals – facing both supply and offtake risks – and LNG-to-power projects – which will increasingly be used for peaking and grid flexibility and ultimately phased out in a scenario with high renewables and battery integration²³ – is increasingly questionable. Cost escalation and ballooning development timelines due to gas turbine shortages will further challenge the successful commissioning of large-scale gas power plants, which act as anchor tenants for import terminals. **Financiers of such infrastructure may therefore incur significant financial risks, as these are likely to become stranded assets.**

LNG also has disastrous environmental impacts. LNG infrastructure poses serious threats to ecosystems and the well-being of communities who depend on them²⁴ – such as the Verde Island Passage, often referred to as the "center of the center of marine shorefish biodiversity" – both due to pollution from import terminals and from tankers.²⁵

An enormous but largely untapped renewable potential

The country has a considerable but largely untapped renewable energy potential. With more than 17,000 km of coastline, offshore wind potential is estimated at more than 178 GW.²⁶ Located on the Pacific Ring of Fire, the country also displays significant geothermal capabilities. The Philippines is also betting on solar power: in the first semester of 2026, the country became one of the first buyers of solar panels in the world.²⁷

To develop this potential and curb dependence on fossil fuels, the 2023-2050 PEP aims to achieve a 35% share of renewables in the power generation mix by 2030, 50% by 2040, and above 50% after 2050. **To reach these objectives, the Philippine government has implemented**

²⁰ Including 10.3 mtpa for existing activities (2 projects), 10.72 mtpa for planned projects (4 projects, all stalled or shelved), and one early-stage project pipeline to support San Miguel Corporation Global Power expansion

²¹ Reuters, [Philippines unlikely to add new LNG terminal near-term on excess capacity](#), October 2025

²² Journal of Petroleum Technology, [Philippines reports major gas find near Malampaya field](#), January 2026

²³ The PEP foresees that gas-fired power generation ramps up to substitute coal-fired power generation and decreases to 20% of power generation in 2050 in the Clean Energy Scenario. However, the plan lacks ambition in terms of renewable energy targets and electrification.

²⁴ Cordero DA. Liquefied Natural Gas in the Philippines: Clarifications and Interventions for Environmental and Public Health. *Environmental Health Insights*. 2024;18. doi:[10.1177/11786302241228957](#)

²⁵ Such as the one after the sinking of MT Princess Empress off the coast of Naujan, Oriental Mindoro, in the Philippines in 2023.

²⁶ OECD, [Clean Energy Finance and Investment Roadmap of the Philippines](#), February 2024

²⁷ Oil Price, [Philippines Becomes World's Top Solar Panel Buyer](#), June 2026

a Green Energy Auctions Program (GEAP). As of 2026, five auctions have been launched.²⁸ The first four GEAs yielded 22 GW of cumulative awarded capacity, and an additional 25 GW program from 2027 to 2035²⁹ was announced in 2026,³⁰ across wind, solar, and storage.³¹ Faced with the impacts of the geopolitical crisis in the Middle East, the Department of Energy (DOE) has fast-tracked the grid entry of around 1,471 MW of advanced-stage renewable energy projects.³² The DOE is also looking to de-risk the country's geothermal potential through a dedicated facility co-built with the Asian Development Bank.³³

Renewable energy development faces some challenges. Barriers include grid bottlenecks, high upfront and capital costs, and currency risks,³⁴ all of which may ultimately lead to non-performing awards.³⁵ **But these challenges can be overcome through careful planning, financial instruments, and cooperation between public and private institutions. As an archipelago country, the Philippines also needs to invest in local microgrids powered by renewables.** These are emerging as a key solution for achieving electrification by offering a sustainable, cost-effective, and scalable option in remote locations, reducing reliance on diesel and gasoline generation. Distributed renewable energy systems have also proven to be more climate-resilient than centralized fossil fuel-based systems.³⁶

Banks supporting LNG expansion in the Philippines

Only a handful of companies drive LNG expansion in the Philippines.³⁷ International banks are key to enabling LNG expansion, providing financial support through project and corporate finance to LNG developers and advisory services for local lenders.³⁸

Between 2021 and 2025, the largest banks supported LNG developers' expansion plans in the Philippines with US\$625 million – including US\$592 million to Excelerate Energy.³⁹ These

²⁸ Including 7.5 GW of pumped-storage hydro (PSH) (GEA-3), 6 GW of solar (GEA-4), 2.52 GW of onshore wind (GEA-4), 3.3 GW of offshore wind (GEA-5), and 1.19 GW of storage-integrated renewables (GEA-4).

²⁹ As a comparison, the PEP relative targets would translate into absolute renewable installed capacity of 30.5 GW in 2030, up to more than 115 GW in 2050; see IMF, [Renewable Energy Transition in the Philippines: Trends, Opportunities, Challenges](#), December 2025

³⁰ World Bank, [Earth, Wind, and Sun: Harnessing Local Resources for Job Creation and Energy Security in the Philippines](#), June 2026

³¹ The country is planning to expand battery energy storage systems (BESS), with the National Grid Corporation of the Philippines (NGCP) Transmission Development Plan 2025-2050 reporting 1.9 GW of committed BESS projects and 2.5 GW of indicative BESS projects.

³² Renewables Now, "[Philippines speeds up 1.47 GW of renewables amid MidEast tension](#)", April 2026

³³ Manila Standard, "[DOE: P60 billion needed to de-risk full PH geothermal potential](#)", September 2026

³⁴ PPAs are often denominated in PHP, whereas financing is granted in USD.

³⁵ In January, the DOE [announced](#) it had terminated or relinquished 163 non-performing renewable energy service contracts from 2024-2025. These mainly concerned solar projects, with Solar Philippines Power Project Holdings Inc. accounting for 64% of terminated projects.

³⁶ Ember, "[Shaping a resilient power system in ASEAN](#)", July 2026

³⁷ Electricity Generating PCL, Energy World Corp Ltd, Excelerate Energy, First Generation Holdings Corp, Shell PLC, Tectoroe Pte Ltd and Tokyo Gas Co Ltd.

³⁸ UBS AG acted as the key financial adviser to the consortium during the structuring of a massive joint venture merging operations for several gas-fired power plants and an LNG import terminal in which major domestic heavyweights like BDO Unibank, Bank of the Philippine Islands (BPI), and Metropolitan Bank and Trust Co. provided local multi-billion-peso loan facilities; see Reuters, [Philippines top energy firms partner in 3.3 bln LNG facility](#), 2024

³⁹ All banks mentioned here have been contacted and given the opportunity to respond and verify the data.

supporters include major American and Japanese banks, such as Wells Fargo and SMBC, as well as European institutions with net-zero commitments; even some, such as Crédit Agricole, BNP Paribas, and Nordea, which have taken measures to restrict their oil and gas financing.⁴⁰

Table – Financial support for LNG expansion plans in the Philippines by the 10 leading supporters⁴¹

Bank	Country	Financial support for LNG expansion in the Philippines (2021-2025, in US\$ million)
Wells Fargo	United States	99.8
SMBC Group	Japan	97
Crédit Agricole	France	89.9
DNB	Norway	89.9
Morgan Stanley	United States	61.2
Barclays	United Kingdom	55.3
BNP Paribas	France	32.7
Nordea	Sweden	27.9
MUFG	Japan	12.3
JPMorgan Chase	United States	10.9

Standard Chartered also participated in a US\$32 million bond for Energy World Corporation's Pagbilao LNG hub in 2016.⁴² But with the recent continued stalling of the LNG-to-power 300 MW CCGT,⁴³ the company is unlikely to proceed with the construction of the LNG import terminal, which had only the linked power plant as an offtaker.

Banks' financing will contribute to shaping the Philippines' energy future

Banks can play a decisive role. Continued financing of companies developing new gas-fired power plants and LNG infrastructure would entrench LNG dependency, create stranded-asset risks, and undermine banks' own climate commitments. Instead, banks can accelerate the Philippines' shift toward renewables and resilient energy systems. Therefore, **banks should adopt robust fossil fuel exclusion policies and end all financial support for LNG terminals, methane carrier expansion, new gas-fired power plants, coal asset construction or refurbishment, and the companies that develop them.** In addition, banks need to support the expansion of renewables capacity, grid modernization and system flexibility, and energy resilience.⁴⁴

⁴⁰ More information on the banks' policies on LNG on the [Oil & Gas Policy Tracker](#) and on the [Exit LNG](#) website.

⁴¹ Total financial support received by companies listed in the 2025 Global Oil & Gas Exit List with LNG expansion plans in the Philippines. Deals have been extracted from the 2026 Banking on Climate Chaos extended dataset and include loans and the underwriting of bond and share issuances between 2021 and 2025. An adjuster reflecting each company's share of LNG-related activities in the Philippines was applied.

⁴² Project-level deals extracted from the *IJ Global database*, including loans and the underwriting of bond and share issuances between 2016 and 2025.

⁴³ After its turbines have been sold and part of its value impaired.

⁴⁴ Beyond standard project financing, banks have many tools to support energy transition projects. Through syndication, blended finance with development finance institutions (DFIs) (e.g. supporting the financing of grid infrastructure), risk-sharing agreements and guarantee provisions, or currency risk hedging instruments, they can help design transactions that are financeable within risk constraints.