Republic of the Philippines
DEPARTMENT OF ENERGY
(Kagawaran ng Enerhiya)

BAGONG PILIPINAS

DEPARTMENT CIRCULAR NO. DC 2025-10-0024

GUIDELINES ON VIRTUAL POWER PURCHASE AGREEMENTS

WHEREAS, Section 37(h) of Republic Act (RA) No. 9136, or the "Electric Power Industry Reform Act of 2001" (EPIRA), empowers the Department of Energy (DOE) to exercise supervision and control over all government activities relative to energy projects in order to attain the objectives set forth therein;

WHEREAS, RA No. 9513, or the "Renewable Energy Act of 2008" (RE Act), declares as a policy of the State to increase the utilization of renewable energy (RE) by institutionalizing the development of national and local capabilities in the use of RE systems, and promoting their efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;

WHEREAS, the National Renewable Energy Program (NREP) 2020-2040 sets an aspirational target of at least thirty-five percent (35%) RE share in the power generation mix by 2030 and fifty percent (50%) by 2040 to attain energy security, sustainable development, and inclusive growth, and mitigate the impacts of climate change;

WHEREAS, Section 6 of the RE Act mandates all stakeholders in the electric power industry to contribute to the growth of the RE industry in the country, directing for this purpose the National Renewable Energy Board (NREB) to set the minimum percentage of generation from eligible RE resources and determine which sector the Renewable Portfolio Standards (RPS) shall be imposed on a per-grid basis;

WHEREAS, pursuant to Section 6 of the RE Act, the DOE issued Department Circular (DC) No. DC2017-12-0015, entitled "Promulgating the Rules and Guidelines Governing the Establishment of Renewable Portfolio Standards for On-Grid Areas" (RPS On-Grid Rules), which provides, among others, (a) that RPS Mandated Participants shall use Renewable Energy Certificates (RECs) to comply with their respective minimum annual RPS requirements; (b) that a REM shall be established; (c) the bases for issuance of RECs; and (d) that a REC shall represent all renewable and environmental attributes from one (1) megawatt-hour (MWh) of electricity generation sourced from facilities that utilize RE resources or RE technology;

WHEREAS, Section 8 of the RE Act mandates the establishment of a Renewable Energy Market (REM) and the RE Registrar to facilitate compliance with Section 6 of the RE Act;

WHEREAS, the DOE on 06 December 2024 issued DC No. DC2024-12-0031, entitled "Declaration of the Full Commercial Operations of the Renewable Energy Market," which allows for the trading of RECs in the REM;

WHEREAS, interest in RECs as a means to comply with clean energy targets, such as RE100 and Net Zero Targets, provides a direct and stable source of financing and revenue for RE projects;

WHEREAS, there is a need to issue guidelines allowing RE Developers to enter into financial arrangements for the transfer of RECs to commercial and industrial end-users in consideration of guaranteed payments for the electricity to be produced by the RE projects;

NOW, THEREFORE, for and in consideration of the foregoing premises, the DOE hereby adopts and promulgates the following:

Section 1. Purpose. This Circular sets forth the guidelines for Virtual Power Purchase Agreements (VPPAs), as herein defined, pursuant to the RE Act and policies and issuances related thereto.

Section 2. Definitions. As used in this Circular, the following terms shall be defined as follows:

2.1. "**Buyer**" refers to a party to a VPPA that purchases Voluntary RECs from a Seller;

2.2. "**Compliance REC**" represents one (1) megawatt hour (MWh) of electricity generation from Eligible RE Facilities, as defined under the RPS On-Grid Rules, or any amendment thereto. Compliance RECs are utilized by Mandated Participants, as defined under the RPS On-Grid Rules, for compliance with RPS requirements under the RE Act;

2.3. "**Eligible RE Facility**" refers to a power generating facility that utilizes RE resources and technologies consistent with the RPS On-Grid Rules, and is located, or to be located and operated, in the Philippines;

2.4. "**Renewable Energy Certificate**" or "**REC**" refers to a certificate issued by the RE Registrar to electric power industry participants showing the energy sourced, produced, and sold or used, and classified as either Compliance REC or Voluntary REC. Each REC shall represent all renewable and environmental attributes from one (1) MWh of electricity generation;

2.5. "**Renewable Energy Developer**" or "**RE Developer**" refers to an individual or juridical entity created, registered, and/or authorized to operate in the Philippines in accordance with existing Philippine laws, and engaged in the exploration, development, and/or utilization of RE resources, and actual operation of RE Project. It shall include existing entities engaged in the exploration, development and/or utilization of RE resources, or the generation of electricity from RE resources, or both;

2.6. "**RE Project**" refers to the power generation and related facilities utilizing RE resources under a particular RE Contract issued by the DOE pursuant to the RE Act;

2.7. "**RE Service/Operating Contract**" or "**RE Contract**" refers to the service agreement between the Government, through the DOE, and an RE Developer over a period in which the RE Developer has the exclusive right to a particular RE area for exploration and development;

2.8. "**Seller**" refers to a party to a VPPA that offers Voluntary RECs from an RE facility to a Buyer;

2.9. "**Virtual Power Purchase Agreement**" or "**VPPA**" refers to a private contract between an end-user and an RE Developer for the development of an RE Project and corresponding transfer of Voluntary RECs, without regard to the physical delivery of electricity from the Seller to the Buyer;

2.10. "**Voluntary RECs**" represent one (1) MWh of generation from RE facilities, including electricity consumers with RE facilities. Voluntary RECs may be utilized by RE generation companies or facilities as an additional source of revenue, and as a means to comply with clean energy targets, such as RE100 and Net Zero Targets; and

2.11. "**VPPA Project**" refers to an RE facility or Project that generates Voluntary RECs and is the subject of a VPPA.

Section 3. General Principles.

3.1. A VPPA is a private agreement for the sale of Voluntary RECs between a Seller that generates or will generate power from a VPPA Project to whom the corresponding Voluntary RECs are or will be allocated under applicable rules and guidelines, and a Buyer, who is willing to acquire the said Voluntary RECs for a fixed or variable price.

3.2. For funding or financing purposes, a VPPA shall be recognized as a valid type of PPA for the development of the RE Project, in exchange for the assured dispatch in the electricity market and/or the offtake or compensation of the generated power from a VPPA Project. Moreover, considering the direct correlation of Voluntary RECs to the power generated, the guaranteed payment by the Buyer for every Voluntary REC attributed to the Seller may serve as a financial guarantee.

3.3. The pricing of Voluntary RECs under VPPA shall not be subject to review and regulation by the ERC, the DOE, or any other governmental agency.

3.4. The physical delivery, grid-interconnection and sale of electricity generated by the VPPA Project shall be subject to and comply with all applicable rules and regulations of the DOE, the Energy Regulatory Commission (ERC) and other relevant agencies.

3.5. Unless otherwise agreed upon by the parties, the Voluntary RECs that are the subject of a duly executed VPPA shall be automatically registered or transferred to the Buyer by virtue of the VPPA. The Buyer may thereafter transfer a valid Voluntary REC in accordance with the relevant Philippine and international laws and policies.

Section 4. Qualified Parties.

4.1. Seller: Any juridical person, Filipino or non-Filipino, duly registered or licensed to do business in the Philippines, and engaged as an RE Developer, may qualify as a Seller.

4.2. Buyer: Any juridical person, Filipino or non-Filipino, duly registered or licensed to do business in its country of origin or in the Philippines, may qualify as a Buyer.

Section 5. VPPA Project.

5.1. Projects for the generation of RE resources, as defined in the RE Act, located within the Philippine territory may be a VPPA Project.

5.2. Only RE Projects or merchant power plants that will generate Voluntary RECs may qualify as a VPPA Project. RE Projects that will generate Compliance RECs shall not qualify as VPPA Projects.

5.3. A VPPA Project may be an RE project that is existing, being developed, or planned to be developed by the Seller in accordance with the RE Act and the corresponding DC No. DC2024-06-0018, or the Revised Omnibus RE Guidelines.

5.4. In the selection of a VPPA Project, the Buyer and the Seller shall prioritize RE Projects that are aligned with the Philippine Energy Plan.

Section 6. Nature of VPPA.

6.1. *Private Contract* – A VPPA is a private contract between the Buyer and the Seller. The consideration and stipulations in the VPPA are binding between the parties, subject to the applicable laws of the Philippines, including the RE Act.

6.2. *Situs* – For legal and tax purposes, the situs of a VPPA is in the Philippines.

6.3. *Regulation* - The terms of a VPPA, including the agreed price of Voluntary RECs, shall not be subject to review and regulation by the ERC or the DOE, unless otherwise provided in this Circular.

6.4. *Offer* – In a VPPA, the Seller offers Voluntary RECs to the Buyer in consideration for an agreed price to be paid by the Buyer to the Seller.

6.5. *Financing* – A duly executed VPPA that specifies the mechanism for an assured compensation for the Voluntary RECs generated from a VPPA Project may be used by the parties for financing and funding requirements for the VPPA Project with banks, investors and other financial institutions.

6.6. *Sale and Transfer of Voluntary RECs* – Voluntary RECs attributed to a VPPA Project may be sold, assigned, or transferred by the Seller to the Buyer in accordance with the terms of the VPPA and applicable laws and regulations.

Section 7. Elements of VPPA.

7.1. *Financial Contract* – A VPPA is a financial transaction, wherein the Seller sells or transfers the Voluntary RECs from its VPPA Project in exchange for an agreed price or pricing mechanisms.

7.2. *No Delivery of Power* – The Seller may have no obligation to deliver the power generated by the VPPA Project to the Buyer under the VPPA. However, the Seller shall generate and sell such electricity through the Wholesale Electricity Spot Market (WESM) or any other market, platform, or agreement in accordance with the rules and regulations set forth by the DOE, ERC, and other relevant agencies.

7.3. *Generation of Power* – The Seller shall be responsible for the generation of power in accordance with the standards and requirements under the EPIRA and related rules and regulations.

7.4. *Non-Exclusivity* – The Buyer may enter into VPPA contracts with one or more Sellers, or for one or more VPPA Projects; Provided, That there shall be exclusivity for each VPPA project under a VPPA.

7.5. *No Double Counting* - The Seller may enter into one or more VPPA contracts for the same VPPA Project: Provided, That the Seller shall not sell or transfer the same Voluntary REC to more than one Buyer.

7.6. *Currency* – The Parties may settle the payments in a manner and currency allowed by the *Bangko Sentral ng Pilipinas* (BSP) and Philippine laws, subject to their mutual agreement.

7.7. *Valuation of Voluntary RECs* – The price of Voluntary RECs that the Buyer pays to the Seller shall be in accordance with the stipulations of the VPPA. The valuation may consider existing domestic and international standards. Absent any duly issued policies on valuation of Voluntary RECs by the DOE, the price shall be mutually agreed by the Buyer and Seller.

7.8. *Term* – The term for the sale of Voluntary RECs under the VPPA shall be a minimum of ten (10) years, reckoned from the date of commercial operations, and may be renewed based on the conditions set forth in the VPPA.

7.9. *Representation and Warranties* –

a. The parties to the VPPA warrant that all persons involved in the offer, negotiation, and execution of the VPPA, and other intermediaries acted in accordance with applicable laws, rules and regulations, including those relating to securities

b. The parties further warrant that they are compliant with all the requirements and regulations for the Voluntary REC's registration and trading; and

c. The Seller additionally warrants that the VPPA Project has, or will obtain, a valid RE Contract and the necessary permits and authorizations from the relevant government agencies.

7.10. *Transfer of Voluntary RECs* – Upon submission by the parties of the VPPA to the RE Registrar, the RE Registrar shall transfer the Voluntary RECs to the Buyer in accordance with the terms of the VPPA.

Section 8. Applicable Laws and Disputes.

8.1. *Rules on Securities* – VPPAs offered and/or executed directly by a Buyer and a Seller, without the participation of brokers, banks, investment companies, and other similar intermediaries, shall not be considered as "securities" under RA No. 8799 or The Securities Regulation Code.

8.2. If a VPPA was executed involving persons that offer, sell, negotiate, deliver or otherwise represent either the Buyer or the Seller with a view to the execution of the VPPA and other intermediaries, the parties to a VPPA, including the said persons, shall comply with applicable rules and regulations of the Securities and Exchange Commission (SEC) and the *Bangko Sentral ng Pilipinas* (BSP).

8.3. *Governing law* – The VPPA shall be governed by Philippine law, including the RE Act, EPIRA, including rules and regulations, such as WESM Rules and RPS On-Grid Rules, as amended.

8.4. *Disputes* – All disputes under the VPPA shall be settled in courts of the Philippines, to the exclusion of other courts.

8.5. *Arbitration* – Arbitration clauses may be included in a VPPA: Provided, That the seat of arbitration is in the Philippines.

Section 9. Supplementary Issuances. Not later than one (1) year from the effectivity of this Circular, the DOE shall issue and/or amend relevant guidelines, rules and regulations needed for the proper implementation of this Circular.

Section 10. Separability Clause. If any provision of this Circular is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Section 11. Repealing Clause. Except insofar as may be manifestly inconsistent herewith, nothing in this Circular shall be construed as to repeal any of the mechanisms already existing or responsibilities already provided for under existing rules.

Section 12. Effectivity. This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. A copy of this Circular shall be filed with the University of the Philippines Law Center - Office of the National Administrative Register (UPLC-ONAR).

Issued this OCT 29 2025 at the DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City.

SHARON S. GARIN
Secretary