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2 **DEPARTMENT CIRCULAR NO. _____**
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4 **ESTABLISHING THE PHILIPPINE GEOTHERMAL RESOURCE DERISKING**
5 **FACILITY, PRESCRIBING THE GENERAL GUIDELINES FOR ITS**
6 **IMPLEMENTATION, AND ADOPTING THE USER MANUAL THEREFOR**
7

8 **WHEREAS**, Section 2 of Republic Act (RA) No. 7638, as amended, otherwise known
9 as the Department of Energy (DOE) Act of 1992, mandates the DOE to prepare,
10 integrate, coordinate, supervise, and control all plans, programs, projects, and
11 activities of the Government relative to energy exploration, development, utilization,
12 distribution, and conservation;
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14 **WHEREAS**, Section 2 of RA No. 9136, otherwise known as the Electric Power Industry
15 Reform Act of 2001, declares the State policy to assure socially and environmentally
16 compatible energy sources and infrastructure, and to promote the utilization of
17 indigenous and renewable energy (RE) resources;
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19 **WHEREAS**, Section 2 of RA No. 9513, otherwise known as the Renewable Energy
20 Act of 2008, declares the State policy to accelerate the exploration and development
21 of RE resources to achieve energy self-reliance through the adoption of sustainable
22 energy development strategies to reduce the country's dependence on fossil fuels;
23

24 **WHEREAS**, the Philippine Energy Plan (PEP) 2023-2050 targets to increase the share
25 of RE in the total power generation mix to thirty-five percent (35%) by 2030 and fifty
26 percent (50%) by 2040, specifically targeting an increase in geothermal installed
27 capacity up to 2,420 MW by 2030 and 2,980 MW by 2040;
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29 **WHEREAS**, to catalyze early-stage geothermal exploration in the Philippines by
30 mitigating high upfront costs and risks associated with exploration drilling, the Asian
31 Development Bank (ADB) has agreed to provide concessional funding, through a
32 sovereign loan to the Government of the Philippines, for the establishment of the
33 Philippine Geothermal Resource Derisking Facility (PGRDF);
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35 **WHEREAS**, the Department of Finance (DOF) is expected to enter into a loan
36 agreement with ADB, the proceeds of which shall be on-granted to the Land Bank of
37 the Philippines (LBP) as Facility Administrator, under the technical oversight and fund
38 ownership of the DOE;
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40 **WHEREAS**, the DOE and the LBP entered into a Memorandum of Agreement on 16
41 December 2025, designating the DOE as the Executing Agency for the PGRDF and
42 the LBP as the PGRDF Administrator and Manager;
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44 **NOW, THEREFORE**, in consideration of the foregoing premises, the DOE hereby
45 issues the following guidelines:
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47 **Section 1. Title.** This Circular shall be known as the "Philippine Geothermal
48 Resource Derisking Facility Guidelines".
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Section 2. Definition of Terms. As used in this Circular, the following terms shall be understood to mean:

- 2.1. **“Certificate of Confirmation of Commerciality”** refers to the certificate duly signed by the DOE Secretary confirming the Declaration of Commerciality by the RE Developer and shall serve as a notice to proceed with the construction of the RE Project or the installation of the RE facilities;
- 2.2. **“Convertible Sub-loan”** refers to a loan with a six (6)-year tenor and bullet repayment mechanism that may be converted into a grant if exploration drilling is determined to be unsuccessful and the corresponding GSC is relinquished to the DOE, pursuant to Section 5.3 of this Circular;
- 2.3. **“Early-Stage Geothermal Exploration”** refers to the pre-development activities undertaken to identify, map, and verify a potential geothermal resource, spanning from preliminary surface studies and site preparation through exploration and delineation drilling and initial well testing, concluding prior to commercial production.
- 2.4. **“Eligible Expenditures”** refers to the expenditures that qualify for funding under the PGRDF in accordance with Section 7 of this Circular;
- 2.5. **“Greenfield Project”** refers to a geothermal project that is currently in the pre-development stage and has not been issued a Certificate of Confirmation of Commerciality (COCOC);
- 2.6. **“Notice to Proceed”** refers to a document issued by the PGRDF Management Committee (ManCom) to a pre-qualified project in accordance with Section 8.4 of this Circular; and
- 2.7. **“Risk-sharing Mechanism”** refers to a financial structure established to mitigate early-stage geothermal exploration risks by co-financing eligible expenditures between the PGRDF and the developer.

Section 3. Establishment of the Philippine Geothermal Resource Derisking Facility. The PGRDF is hereby established to offer low-cost convertible sub-loans with a risk-sharing mechanism to provide financial support to private developers in undertaking Early-Stage Geothermal Exploration and associated infrastructure deployment. The PGRDF shall finance fifty percent (50%) of the total Eligible Expenditures, while project developers shall contribute the remaining fifty percent (50%) as matching counterpart equity.

Section 4. Institutionalization of Governance and Management Framework. To ensure operational efficiency, transparency, and accountability, governance and management of the PGRDF shall be carried out by the following independent bodies:

4.1. PGRDF Oversight Board.

- 4.1.1. **Composition.** The Oversight Board shall be composed of the Secretaries of the DOF and the DOE.

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101 4.1.2. **General Functions.** The Oversight Board shall:
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103 4.1.2.1. Provide overall strategic direction for the PGRDF;
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105 4.1.2.2. Approve policy frameworks governing the implementation of the
106 PGRDF;
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108 4.1.2.3. Review major program milestones; and
109

110 4.1.2.4. Ensure that the implementation of the PGRDF aligns with
111 national energy strategies and international development
112 standards.
113

114 4.2. **PGRDF Management Committee.**
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116 4.2.1. **Composition.** The ManCom shall be composed of the following officials
117 or their duly authorized representatives:
118

119 4.2.1.1. Chairperson: Supervising Undersecretary for the DOE -
120 Renewable Energy Management Bureau (REMB);
121

122 4.2.1.2. Director, DOE-REMB;
123

124 4.2.1.3. Head, LPB - Asset and Sub-Accounting Department Group
125 (ASDG); and
126

127 4.2.1.4. Head, LBP - Corporate Banking Group (LBP-CBG).
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129 4.2.2. **General Functions.** The ManCom shall:
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131 4.2.2.1. Oversee the day-to-day administration and implementation of the
132 PGRDF, including inter-agency coordination,;
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134 4.2.2.2. Review project endorsements;
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136 4.2.2.3. Resolve operational bottlenecks arising from the
137 implementation of the PGRDF;
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139 4.2.2.4. Ensure the implementation of policies approved by the
140 Oversight Board; and
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142 4.2.2.5. Through the Chairperson of the ManCom, issue the Notice to
143 Proceed (NTP) or the Conditional NTP, as applicable, in
144 accordance with Section 8.4 of this Circular.
145

146 4.2.3. **Secretariat.** The Geothermal Energy Management Division of the DOE-
147 REMB shall serve as the Secretariat to the ManCom and shall provide
148 administrative support, maintain records, and coordinate meetings.
149

150 4.3. **PGRDF Management Team.** The PGRDF Management Team shall be
151 composed of the following organizational units:

152
153 4.3.1. **DOE Technical Team (DOE-TT).** The DOE-TT shall be headed by the
154 Director of the DOE-REMB and shall be responsible for the technical
155 integrity and origination of projects under the PGRDF. Its duties shall
156 include:

157
158 4.3.1.1. Managing project origination and conducting comprehensive
159 technical evaluations of applications;

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161 4.3.1.2. Leading and administering the annual Calls for Proposals;

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163 4.3.1.3. Engaging and managing independent peer reviewers to
164 validate resource assessments;

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166 4.3.1.4. Conducting field verification and monitoring technical progress
167 of exploration and drilling activities; and

168
169 4.3.1.5. Issuing technical certifications supporting the disbursement of
170 PGRDF funds.

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172 4.3.2. **LBP Project Fund Management Team (LBP-PFMT).** The LBP-PFMT
173 shall be headed by the Head of the LBP-ASDG and shall be responsible
174 for environmental safeguards, social safeguard compliance, and fiduciary
175 disbursements. Its duties shall include:

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177 4.3.2.1. Ensuring strict compliance with environmental and social
178 safeguards;

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180 4.3.2.2. Conducting environmental and social screening and
181 categorization of projects; and

182
183 4.3.2.3. Executing pari-passu disbursements to qualified developers
184 based on technical certifications submitted by the DOE-TT.

185
186 4.3.3. **LBP Loan Management Team (LBP-LMT).** The LBP-LMT shall be
187 headed by the Head of the LBP-CBG and shall be responsible for financial
188 due diligence, credit risk management, and loan structuring. Its duties
189 shall include:

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191 4.3.3.1. Conducting thorough creditworthiness assessments of applying
192 developers;

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194 4.3.3.2. Performing comprehensive legal and financial due diligence;

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196 4.3.3.3. Structuring loans, financing facilities, and managing security or
197 collateral arrangements; and
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- 199 4.3.3.4. Monitoring post-disbursement financial compliance and loan
200 servicing viability.
201

202 **Section 5. PGRDF Mechanism and Risk-Sharing Structure.**

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204 5.1. The PGRDF shall operate as a risk-sharing facility through financing of fifty
205 percent (50%) of the total Eligible Expenditures. The remaining fifty percent
206 (50%) of the Eligible Expenditures, along with all administration, permitting, and
207 non-eligible operational expenses, shall be funded exclusively by the developer.
208
209 5.2. Qualified developers shall be granted a sub-loan with a tenor of six (6) years.
210 The sub-loan shall be subject to a bullet repayment of the principal, accrued
211 interest, and commitment fees at the end of the six (6)-year period, or upon the
212 issuance of a COCOC by the DOE, whichever comes earlier.
213
214 5.3. In the event that the exploration drilling is unsuccessful and the project is
215 determined to be no longer viable for commercial development based on the
216 technical evaluation of the DOE, the sub-loan may be converted into a grant and
217 all repayment obligations forgiven, subject to the relinquishment of the GSC to
218 the DOE.
219

220 **Section 6. Eligibility.** To be eligible for funding under the PGRDF, an applicant must
221 be a holder of a valid Geothermal Service Contract (GSC) in good standing, and the
222 proposed project must be a greenfield project. Eligible applicants are further subject
223 to the fulfillment of comprehensive technical and financial qualifications.
224

225 **Section 7. Eligible Expenditures.** The eligible expenditures for PGRDF funding
226 are direct costs associated with early-stage geothermal exploration, including
227 exploration drilling using standard holes or big holes, associated site preparation and
228 infrastructure, and well testing. Expenditures associated with normal business
229 operations, administrative and ADB's prohibited investments activities list shall not be
230 eligible.
231

232 **Section 8. Application and Loan Approval Process.**

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234 8.1. **Call for Proposals.** The PGRDF Management Team shall conduct an annual
235 Orientation and a subsequent Call for Proposals starting in the second semester
236 of each year for a period of six (6) years or until the PGRDF funds are fully
237 exhausted, whichever comes earlier.
238
239 8.2. **Application Stages.** The application process consists of two (2) stages: (a) Pre-
240 Qualification, and (b) Full Project Application.
241
242 8.3. **Pre-Qualification Stage.** The DOE-TT shall verify the eligibility of the applicant,
243 while the LBP-PFMT and the ADB shall perform environmental and social
244 screening and categorization.
245
246 8.4. **Notice to Proceed.** Applicants that successfully pass the Pre-Qualification
247 Stage shall be issued with a Notice to Proceed (NTP) or a Conditional NTP by
248 the ManCom Chairperson. The NTP or Conditional NTP shall be valid for six (6)

months, authorizing the developer to submit a Full Project Application. Failure to submit a complete Full Project Application within the six (6)-month validity window shall result in the automatic expiration of the NTP, unless extended for valid grounds approved by the ManCom.

8.5. **Full Project Application Stage.** Within the six (6)-month NTP validity window, pre-qualified developers shall submit a Full Project Application. The DOE-TT and an independent third-party peer reviewer shall conduct comprehensive technical due diligence followed by financial and legal credit evaluations by the LBP-LMT.

8.6. **Loan Agreement.** The final output of a successful application is the execution of a Sub-loan Agreement.

8.7. **Disbursement.** Once the Sub-loan Agreement is signed and conditions precedent are met, funds shall be available for disbursement on a pari passu basis. Developers may request drawdowns during scheduled quarterly windows to cover fifty percent (50%) of eligible expenditures as those expenses are incurred and supported by valid sales invoices.

Section 9. Adoption of the User Manual. The PGRDF User Manual for Applicant Developers is hereby adopted and issued as an integral, non-separable Attachment to this Circular. All application processes, legal, technical, and financial due diligence matrices, environmental safeguard categorizations, quarterly reporting schedules, and disbursement compliance flows outlined within the Manual shall bind all applicant developers, participating bureaus, and partner financial institutions.

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. All previous Department Circulars which are inconsistent with the provisions of this Circular are hereby repealed, amended, or modified accordingly.

Section 12. Effectivity. This Circular shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation. Copies of this Circular shall be filed with the University of the Philippines Law Center.

Issued this ____ day of _____ 2026 at the Energy Center, Bonifacio Global City, Taguig City.

Sharon S. Garin
Secretary