

## A position paper submitted to House Committees on Energy and Appropriations

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The Bataan Nuclear Power Plant (BNPP) is a glaring representation of the country's fraudulent, wasteful, and useless debts. The Freedom from Debt Coalition (FDC) also sees it as a symbol of the Philippines' struggle against a debt-driven development strategy – often peppered with rent seeking and cronyism – that different administrations, including the current disposition, have espoused.

To revive the BNPP would be to create greater social deficits and push the Filipino people deeper into the vicious debt and underdevelopment trap. FDC raises serious questions about the immediate rehabilitation, re-commission, and commercial operation of BNPP. We strongly believe that to make the “Monster of Morong” operational would be to gamble away the people's lives on a lost deal.

### Projecting a Shortage: Faulty Rationales

That the BNPP is expected to supply at least 20% of the anticipated power shortage before 2012 of 3,000MW is one of the trumpets that Rep. Mark Cojuangco is blowing. We ask first and foremost where the studies are that support this claim of an impending power shortage as the government's track record in forecasting electricity has been self serving at worst and dismally inaccurate at best.

In 1993, the Ramos administration Power Development Plan projected a 10% annual growth rate in demand for electricity over the next 10 years. This steep growth in demand failed to materialize, as established by data from the Department of Energy (DoE) for the period 1992- 2003. Aside from that, data show that installed capacity and dependable capacity of generation plants had been greater than demand for the period of 1990-2001, except in 1993 when the country was hit with El Nino that had crippled the hydroelectric plants in Mindanao. Another instance of wrong government forecasts is the Visayas experience, where a citizens' initiative towards a Multi-Stakeholder Power Development Plan (MSPDP) for Panay was launched . While DoE initially stayed away from this initiative, it has recently recognized this bottom-up planning approach and is now supporting a broadened exercise for Western Visayas. A comparison of DoE projections of demand growth for Western Visayas, and that of the MSPDP shows the latter to be closer to actual demand.

Over-projecting demand has led to an overcapacity situation in the Philippine electricity sector for more than a decade now, and this has been proven to be as expensive – if not more – than a power shortage. As of April 2008, DoE data show that total installed generating capacity on a national level is 15,937.1 MW. Of this, 83% or 13,205 MW is said to be dependable capacity. Peak demand is only 8,999 MW, with 6,643 MW from Luzon, 1,102 MW from Visayas, and 1,241 from Mindanao for the year 2007. This leaves an excess generating capacity of 4,212 MW . This 4,212 MW is the dead weight loss to the Filipino consumers, mostly households, who must pay for the excess capacity even if the plants are idle, thanks to the ‘take or pay’ clause in the contracts the Ramos government signed with the independent power producers (IPPs).

Prof. Rowaldo Del Mundo of the National Engineering Center in the University of the Philippines also discovered in his study that Meralco, as a major distributor of electricity in Luzon, buys the bulk of its power supply during off peak hours from only three major power plants, namely Sta. Rita, San Lorenzo, and Quezon Power Plant Limited. Aside from these sources, there are a number of power plants from the total of 55 generation facilities operating in Luzon that could very easily meet base load requirements, or minimum demand for power given any time of day, beyond the Meralco franchise demands. Once again, we prove there is excess capacity to generate electricity that debunks the claims of a power shortage. Reviving BNPP at this time when the base load can only be seen to be shrinking, given the current global economic crisis, is grossly imprudent.

Even if the government would defend this projected increase in demand, we ask: Where is the industrialization plan that must necessarily be the basis of this anticipated growth in demand? And, should there be additional demand as projected by the government, what convinces us that this additional demand cannot be met by the combined dependable capacities of all generation plants, much less if all these plants were actually pushed closer to its installed capacity?

Finally, in the consideration of alleged increases in demand, it should be understood that the biggest driver for electricity demand increases is an industrializing base of the economy. The Philippine domestic economy is not on industrialization mode but is actually service sector driven. Moreover, in times of economic crises when companies are closing plants, shortening operating hours, or laying off workers, a corollary contraction in electricity demand is expected. And as the crisis is expected to last until 2011, at the most generous projections, the alleged need for increased generating capacity is thus eliminated.

The only possible justification specific to the operations of a nuclear power plant is to meet an increase in base load, or replace existing base load supply. An increase in base load is highly unlikely in times of economic crisis. However, it is a much worse option to replace existing base load supply as the current generators to meet such demands are the environmentally safe geothermal and hydroelectric power plants that are very much necessary in climate crisis mitigation-adaptation strategies.

On the point of power generation alone, we already establish that additional generation plants are not necessary, and certainly not in the monstrous form of a nuclear power plant.

### **Rehabilitating and Operating the BNPP Leads to More Wasteful and Useless Debt**

We now need to look at the real cost of rehabilitating and operating the mothballed compound. Stated explicitly under Section 22 of the unnumbered substitute House Bill, the government may raise equity up to US\$1 billion “through a surcharge of PhP 0.10/kWh of the total electric power generated” or “international or domestic loan agreements.” Is the government making the public choose, or is this a question of being caught between the devil and the deep blue sea? They make us pay more for the increased electricity surcharge, while debt service is prioritized over social services.

Nowhere in this world has the re-construction of nuclear power facilities been right on schedule and on budget. Here we express our support for the Greenpeace-conducted studies that expose the real price of reviving and maintaining a nuclear power plant. After being mothballed for over 20 years, the BNPP will more likely exceed the projected \$1 billion to meet the technical and safety demands of a fully operational and nuclear meltdown – safe structure – and exclusive of the monumental costs of corruption and bribery that the BNPP itself represents, and the current administration has mastered.

Moreover, nuclear power plant operations will necessitate government financial support, particularly when we factor in purchasing and safely transporting the highly expensive and toxic uranium ore needed for the functioning of a nuclear power plant. As is the experience in Japan, without government subsidies, no self-respecting, profit-oriented enterprise will undertake the project mainly because of the exorbitant price for operations. We thus ask government: Can the Philippines afford to subsidize a project with this level of danger and expense? To subsidize the generation costs and mandate the payment of a PhP 0.10/kWh surcharge, or to bring the public deeper into debt and charge them exorbitant rates for the energy they will consume, the government will be pushing the people into a deeper level of economic and financial crisis.

### **We are still Paying for the Fraudulent BNPP Debt**

How true is it to say that the BNPP has been fully paid for, and will therefore not incur expenditures in the current budget? In the books of the National Government, no doubt the debt has been paid and the creditors have fully collected, with interest. However, given our weak economy and the feeble fiscal position of the government, we are certain that new borrowings were incurred in order to at least pay for the principal amortizations on the BNPP debt. So perhaps, in a narrow accounting sense, the BNPP debt is paid, but we are no less indebted, and we continue to pay for this monster. We challenge the current administration to make transparent and available to the public the details of all transactions regarding the BNPP debt.

We also need to take into consideration the automatic debt servicing provision in Section 26 (b), Book VI of the 1987 Revised Administrative Code (Executive Order 292) that was the result of this colossal debt burden. That debt service trumps government prioritization of social welfare is shown by social services lack of growth in terms of share in national government expenditures especially when compared to the share of debt service interest . To

illustrate this disparity in expenditures further, government spending in 2008 allocated P624.09 billion on debt service, combining principal amortization and interest payments. Education and Health expenditures put together amount to a meager P203.76 billion, falling short of one-third the allocation for debt service.

Furthermore, the Filipino people continue to pay for the BNPP debt in terms of struggling with the mammoth social deficit that an "Honor All Debts" prioritization has created: over-crowded public schools, deteriorating quality of education, insufficient health services, low-cost housing that the poor cannot afford, grossly incomplete agrarian reform and inadequate support for agrarian reform beneficiaries, a steady state of joblessness to which the government's primary response is to send its citizens overseas – these are but a few of the manifestations of this misprioritization of debt service over addressing the needs of the poor. There is a real social cost of the past and the present misguided debt policies and practices and we know that it is not the cronies, the foreign investors, the creditors, or the elite who are paying for this.

### **Government Priority should be the People Confronted by an Economic Crisis**

Appropriately, we must situate the Philippine economy in the crisis that it is currently undergoing. The latest projection from the Bangko Sentral ng Pilipinas (BSP) sees remittances growth declining to 6%-9% this year, following an average of 13.5% in 2008. In the latest flurry of firm closures, the Labor Department has declared fears of losing 60,000 jobs in the electronics sector alone. With this crisis not having an immediate end in sight, the priority of government should be on the enactment of industry support policies and social welfare programs that will provide a safety net for retrenched workers, their families, and the economy as a whole. At the very least, any proposal to restore the BNPP will be an insensitive and irresponsible move on the part of the legislative and executive branches of the Arroyo government that will clearly come at the cost of the people already feeling the full effects of the current crisis.

We thus urge our honorable legislators prioritize the true needs of the people and halt any attempt to rehabilitate, commission, and commercially operate the BNPP.