



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

DEPARTMENT CIRCULAR NO. DC2023-12-0037 *JK*

RECLASSIFYING DESIGNATED ESTABLISHMENTS IN THE INDUSTRIAL SECTOR, ADJUSTING THEIR THRESHOLD, AND PROVIDING COMPLIANCE GUIDELINES THEREFOR PURSUANT TO THE ENERGY EFFICIENCY AND CONSERVATION ACT

WHEREAS, Section 2 of Republic Act (RA) No. RA 7638 or the Department of Energy (DOE) Act of 1992 states that it is the policy of the State to ensure a continuous, adequate, and economic supply of energy with the end view of ultimately achieving self-reliance in the country's energy requirements;

WHEREAS, the Philippines, being an active and committed member of the Association of Southeast Asian Nations (ASEAN), subscribes to the ASEAN Plan of Action for Energy Cooperation (APAEC) 2016-2025, which includes the key strategy of energy intensity reduction by 20% in 2020 based on 2005 level under the Energy Efficiency and Conservation program area;

WHEREAS, with the growth and advancement of Micro, Small, and Medium Enterprises (MSMEs) and in line with the proposed MSME Development Plan 2022-2027 by the Department of Trade and Industry, MSMEs have a critical role in achieving a low-carbon future through energy efficiency;

WHEREAS, Section 3 of RA 11285 or the Energy Efficiency and Conservation Act (EEC Act) provides for the establishment of a framework for introducing and institutionalizing fundamental policies on energy efficiency and conservation (EEC), including the promotion of efficient and judicious utilization of energy, increase in the utilization of energy efficiency and renewable energy technologies, and the delineation of responsibilities among various government agencies and private entities;

WHEREAS, Section 4 (c) of the EEC Act defines Designated Establishment (DE) as a private or public entity in the commercial, industrial, transport, power, agriculture, public works, and other sectors identified by the DOE as energy-intensive industries based on their annual energy consumption in the previous year or an equivalent annual index; the amount of consumption is indicated in the EEC Act and subject to adjustment by the DOE as it deems necessary;

WHEREAS, Section 5 (g) of the EEC Act mandates the DOE to periodically review and reclassify DEs as defined under the EEC Act and its Implementing Rules and Regulations (EEC-IRR);

WHEREAS, Section 19 of the EEC Act initially classifies DEs as follows: a) Type 1 DEs are those with an annual energy consumption of 500,000 kilowatt-hours (kWh) to 4,000,000 kWh for the previous year; and b) Type 2 DEs are those with an annual energy consumption of more than 4,000,000 kWh for the previous year, and provides that the thresholds for determining Type 1 or Type 2 DEs shall be periodically reviewed and adjusted, if deemed necessary, by the DOE;

WHEREAS, Section 62 of the EEC-IRR provides that the DE classification applies to all entities, whether government or private, as classified under the EEC Act, the EEC-IRR, and further guidelines as may be issued by the DOE;

WHEREAS, Section 64 of the EEC-IRR, among other obligations, directs DEs, to register online with the DOE in order to submit annual energy consumption reports and annual energy conservation reports;

WHEREAS, Section 65 of the EEC-IRR mandates the DOE, every two (2) years or as often as it may deem necessary, to review, evaluate, update, and adjust, as needed, the list of identified DEs. For this purpose, distribution utilities, electric cooperatives, generating companies, and transmission utilities may be required to submit lists of energy-consuming establishments and/or accounts to the DOE;

WHEREAS, Memorandum Circular (MC) No. MC2020-05-0001 or Directing All Designated Establishments under Commercial, Industrial, and Transport Sectors to submit their Annual Energy Consumption Reports mandates all existing DEs under MC No. 93-03-05 to submit Annual Energy Utilization Report and Annual EEC Report;

WHEREAS, DOE Department Circular (DC) No. DC2022-03-0006 or the Adoption of Training Regulations and Certification Process for Energy Auditors (EAs) covers the training regulations developed by the DOE and its partner institutions, the process of certification of EAs, and recognition of training institutions for EAs;

WHEREAS, DOE DC No. DC2022-04-0013 or the Adoption of Certification Guidelines for Energy Audit Conducted by Firm, Partnership, Corporation, and Sole Proprietorship (FPCS) provides the guidelines for the certification of FPCS, covering the assessment, registration, and certification of qualified FPCS which will conduct energy audits;

WHEREAS, DOE DC No. DC2023-05-0018 or the Adoption of the National EEC Plan (NEECP) and Roadmap 2023-2050 provides the comprehensive framework and plan that institutionalizes EEC in the country across key sectors of the economy in accordance with the EEC Act; and

WHEREAS, on 17 August 2023, the DOE held a public consultation regarding the draft DC, which was extended until 31 August 2023, to gather and incorporate feedback from stakeholders in Luzon, Visayas, and Mindanao.

NOW, THEREFORE, pursuant to its mandate under the EEC Act, the DOE hereby issues these reclassification and compliance guidelines for DEs in the Industrial Sector under the EEC Act.

Section 1. Scope and Application. This DC shall apply to all DEs under the Industrial Sector.

Section 2. General Policies and Principles. This DC shall cover the enhanced and continuous implementation of the following items pursuant to the EEC Act, the EEC-IRR, and other related issuances on policies for DEs in the Industrial Sector:

- a. Submit their Annual EEC Report and Annual Energy Utilization Report to the DOE through the identified online submission portal;
- b. Identify and assign energy efficiency practitioners as required under this DC and in compliance with the certification requirements of the DOE;
- c. Implement EEC measures, practices, and projects within their buildings/facilities, including the integration of an energy management system or any similar framework; and
- d. Submit an energy audit report once every three (3) years.

Section 3. Definition of Terms. For purposes of this DC, the following terms shall be defined as follows:

- a. **Annual EEC Report (AEECR)** – refers to the EEC plans, programs, activities, and projects implemented and ongoing including the target value of investment and savings or improvement in productivity in lieu of energy saving;
- b. **Annual Energy Utilization Report (AEUR)** – refers to the utilized and/or generated energy on a calendar year basis in the business activity area including the auxiliary service area. AEUR also accounts for steam/hot water utilization and generation, waste oil, and transportation utilization. AEUR will establish the baseline average energy consumption of the company as an entity to which Type of DE it belongs;
- c. **DE Online Submission Portal** - refers to the identified online submission portal for DEs on their obligations/requirements under the EEC Act, EEC-IRR and this DC;
- d. **Energy Efficiency Practitioner** - refers to a Certified Energy Manager (CEM), Certified Energy Conservation Officer (CECO), or Certified Energy Auditor (CEA) registered with the DOE;
- e. **Energy Usage Index (EUI)** - refers to the total energy consumed annually by the building by the total gross floor area, expressed as energy per square meter per year;
- f. **Industrial Sector** - refers to the segment of the economy that encompasses activities involved in the production, extraction, manufacturing, and construction sectors. It comprises industries engaged in transforming raw materials or components into finished goods or intermediate products used in other manufacturing processes; and
- g. **Significant Energy Use (SEU)** - refers to the energy use that accounts for significant energy consumption and/or possesses significant potential for improved energy performance.

Section 4. Classification of DEs under the Industrial Sector. DEs under the Industrial Sector shall be classified into the following:

- a. **Single Address DEs (SADE)** are those DEs with a building/facility that is located in a single address identifiable in their legal documents, including, but not limited to, business permits/registrations, lease contracts, and electricity bills, among others; and
- b. **Consolidated DEs (CDE)** are those buildings and facilities that are handled, managed, and/or overseen by a main/head company or a corporation firm under an enterprise partnership. To be identified as CDE, the DE should be located in another address/location based on its legal document/s.

Whenever a DE has no fixed business location/address and is currently leasing or renting certain units, floors, or spaces in the building/property/facility, the building/property/facility management shall be the one responsible for reporting the consumption of these facilities. Unless stipulated in their existing contract that the lessee shall assume all government compliance responsibility of the building/property/facility, then it shall be the DE's responsibility to report their consumption.

Nonetheless, it is the responsibility of the DE to ensure that its AEECR and AEUR are duly submitted to the DOE.

Section 5. Sub-Sectors under the Industrial Sector. The DE sub-sectors shall be classified consistent with the Philippine Standard Industrial Classification (PSIC) of the Philippine Statistics Authority (PSA). Any updates that will be made by the PSA on the PSIC shall be adopted accordingly by this DC and all subsequent issuances related to DEs.

Section 6. Required Forms and Templates. All DEs covered under this DC shall submit their AEECR and AEUR through the DE Online Submission Portal of the DOE. Updating of these forms and templates shall be communicated to all concerned DEs through the issuance of Implementing Guidelines (IG) as provided under Section 21 of this DC.

Section 7. Threshold. DEs in the Industrial Sector shall follow the typology as presented below:

Typology	Definition
Others	DEs with an annual energy consumption of 50,000 kWh equivalent and below for the previous year
Type 1	DEs with an accumulated annual energy consumption of least 50,001 kWh equivalent to 1,000,000 kWh equivalent for the previous year
Type 2	DEs with an accumulated annual energy consumption of 1,001,000 kWh equivalent to 8,000,000 kWh equivalent for the previous year
Type 3	DEs with an accumulated annual energy consumption of 8,000,001 kWh equivalent or more

A DE with a newly established company shall be allowed to complete the calendar year (CY) (January 1 – December 31) to establish energy consumption. However, transfer of ownership/change in business in the same geographic area shall assume the consumption of the previous owner.

DEs that consumed 50,000 kWh-equivalent and below are encouraged, but not required, to submit their AEECR and AEUR. Nonetheless, those DEs which have reduced their energy consumption to 50,000 kWh equivalent and below from a higher consumption based on their submission are encouraged to continuously utilize the DE Online Submission Portal.

Section 8. Rules on the Change of Typology. A change of typology of the DE shall only occur based on the following scenarios:

- a. **Downgrading of Typology** - A DE shifts to a lower typology from a higher typology based on its recently submitted AEECR and AEUR.
- b. **Upgrading of Typology** - A DE shifts to a higher typology from a lower typology based on its recently submitted AEECR and AEUR.

A change of DE typology may occur every year based on the compliance of the DE on the submission of its AEECR and AEUR to the DOE. The DE Online Submission Portal shall automatically update the typology of the DE.

In case the change of typology affects the compliance requirements of the DE, the higher obligations shall apply. This shall include the identification of the EE Practitioner and the conduct of an energy audit.

Section 9. Identification of Significant Energy Use. DEs shall identify all SEU in their facility/building based on their operation/nature of business. This shall cover areas that have processes, outputs, or any activity that has significant energy consumption.



Section 10. Calculation of Annual Energy Consumption. Energy consumption shall be measured based on the annual total energy used for electricity and petroleum products and shall use kilowatt-hours (kWh) equivalent as measurement. Energy consumption shall be computed based on the following:

$$\begin{array}{r} (a) \text{ Total Annual Fuel Consumption (in kWh equivalent)} \\ + (b) \text{ Total Annual Electricity Consumption (in kWh equivalent)} \\ \hline (c) \text{ Annual Total Energy Consumption (in kWh equivalent)} \end{array}$$

Where:

- (a) = based on the petroleum products consumed from January 1 to December 31
- (b) = based on the electricity consumption from January 1 to December 31
- (c) = based on the total energy consumption for the target year

Conversion factors, including calorific values, shall follow the latest published information by the DOE.

Section 11. Establishment of EUI. DEs shall establish their annual EUI based on their submission to the DOE. A load and energy consumption profile shall be published to develop energy indices to track and compare annual energy consumption based on the following computation:

$$\frac{\text{Total Energy Used (kWh)}}{\text{Total Production Output (Unit of Product)}} = \text{Energy Used per Unit of Product}$$

Based on the compliance of the DEs under the Industrial Sector, the DOE will eventually develop and establish the **Sectoral and Sub-Sectoral Minimum Energy Performance**. The DOE shall also refer to the applicable provisions of DC No. DC2020-12-0026 or the Adoption of the Guidelines on Energy Conserving Design of Buildings in the establishment of the EUI under this Sector.

Section 12. Energy Efficiency (EE) Practitioner. Following the typology of the Industrial Sector, EE Practitioners should lead the energy management systems of the company. EE Practitioners shall be identified and assigned based on the following typology:

Typology	Required EE Practitioner	Recommended Support Staff
Others	None	None
Type 1	Certified Energy Manager (CEM)	Certified Energy Conservation Officer (CECO)
Type 2		
Type 3		CEM and CECO

The certification process shall follow the provisions under DC No. DC2022-03-0007 or the Adoption of Training Regulations for the Certification of Energy Conservation Officers (ECOs) and DC No. DC2022-03-0008 or the Adoption of Training Regulations and Prescribing Certification Process for Training Institutions and Energy Managers (EMs).

Upon issuance of this DC, DEs are mandated to identify the required EE Practitioner who shall comply with the existing requirements of the issued policies on the Certification of EE Practitioners. Also, DEs shall ensure that all trainings are provided by a DOE Recognized Training Institution (RTI) before the next compliance period.

DEs with an existing Certified EE Practitioner inconsistent with the required EE Practitioner based on the typology shall, through an endorsement letter, apply for the reclassification of the certificate of their existing EE Practitioner with the DOE.

Section 13. Identification of Activity Area. DEs shall identify all energy-intensive activity areas in the facility/building. This shall cover areas that have processes, outputs, or any commercial activity that has significant energy consumption. The identified activity area shall be the basis of the DEs report in the DE Online Submission Portal.

Section 14. DE Online Submission Portal. All DEs, through their CEM or CECO, are mandated to comply with the submission of their AEECR and AEUR in CY format (January to December) and their energy audit reports through the DE Online Submission Portal. DEs identified under a CDE shall submit their AEECR and AEUR on a per building and/or facility.

In the event of force majeure and/or system downtime and maintenance of the DE Online Submission Portal, the DOE will issue an advisory on the DE submission of their AEECR and AEUR. All submissions should only be made through the DE Online Submission Portal. Any submissions made outside the system will not be deemed as a form of compliance with the EEC Act.

The DOE will issue a User Manual to help DEs, through their CEM or CECO, to easily navigate the DE Online Submission Portal. This User Manual will be periodically updated by the DOE or as the need arises.

Section 15. Implementation of Energy Management System. Pursuant to Section 66 of the EEC-IRR, DEs shall integrate an energy management system policy into their business operations based on ISO 50001 or any similar framework.

Section 16. Energy Audit Report. DEs shall submit their Energy Audit Reports to the DOE during the first year of their compliance and every three (3) years thereafter. DEs under Types 1, 2, and 3 are mandated to subject themselves to the conduct of energy audits while Other Types are encouraged to conduct an energy audit.

The submission of Energy Audit Report and its required level shall be based on the following conditions:

Conditions	DE Typology			
	Type 3	Type 2	Type 1	Other DEs
Compliant with the submission of AEECR and AEUR and with Level 1 Energy Audit Report submitted to the DE Online Submission Portal during the previous compliance period	Level 1 Energy Audit on the next submission then Level 2 Energy Audit on the succeeding compliances		Level 1 Energy Audit until further guidance by the DOE	Encouraged, but not required, to conduct a Level 1 Energy Audit
Compliant with the submission of AEECR and AEUR and with Level 2 Energy Audit Report submitted to the DE Online Submission Portal during the previous compliance period	Level 2 Energy Audit on the next submission and every succeeding compliance		Level 1 Energy Audit until further guidance by the DOE	Encouraged, but not required, to conduct a Level 1 Energy Audit
Compliant with the Submission of AEECR and AEUR but no Energy Audit Report in the DE Online Submission Portal during the previous compliance period	Level 2 Energy Audit on the next submission and every succeeding compliance		Level 1 Energy Audit until further guidance by the DOE	Encouraged, but not required, to conduct a Level 1 Energy Audit
Newly covered DEs (those that are consuming less than 100,000 kWh equivalent per year)	-		Level 1 Energy Audit until further guidance by the DOE	Encouraged, but not required, to conduct a Level 1 Energy Audit
Not Compliant with EEC Act during the previous compliance period	Level 2 Energy Audit and every succeeding compliance		Level 1 Energy Audit until further guidance by the DOE	Encouraged, but not required, to conduct a Level 1 Energy Audit

For Types 2 and 3 DEs, energy audits conducted by an in-house CEA shall be subject to the validation of either a DOE Registered or Certified Energy Service Company (ESCO), CEA, or a registered FPCS for energy audit verification. The validation shall ensure the veracity and reliability of the audit findings and recommendations, promoting transparency and credibility.

Type 1 DEs shall be required to conduct a Level 1 or walkthrough energy audit on their facilities with a focus on the identified SEU. For Type 1 DEs, energy audits may be conducted by an in-house Energy Auditor and shall be accepted by the DOE, subject to evaluation.

Other DEs are encouraged but are not required to conduct an energy audit on their facilities. In any event, a Level 1 energy audit shall be encouraged for their building and/or facility.

Conduct of cross-audit among DEs or within subsidiaries of an entity shall be allowed by the DOE: *Provided That*, transparency and professionalism shall be observed by the CEA.

DEs that have already submitted an Energy Audit Report shall be considered compliant for the next three (3) years from the date of submission.

Consistent with Section 8 of this DC, any change in typology affecting the compliance requirement of the DE, the higher obligations shall apply. Given the nature of the validity of the Energy Audit Report once submitted, the highest typology that will occur within the timeframe of three (3) years upon submission shall determine whether the DE will conduct a Level 1 or Level 2 energy audit in its next compliance.

A Certification and/or Project Agreement shall be included as an annex in the Energy Audit Report should the DE decide to conduct a cross-audit or have their own report validated by a CEA, an ESCO, or a FPCS.

Section 17. Monitoring, Verification, Enforcement, and Post-evaluation. Upon the submission of the AEUR and AEECR, the DOE may conduct a post-evaluation to ensure the veracity and accuracy of the information provided in the report. The post-evaluation shall be based on the issued policy on the visitorial and on-site inspection of the DOE to the DEs. The conduct of the on-site inspection shall cover the following:

- a. Inspection of all energy-consuming facilities;
- b. Review, evaluation, and validation of energy management systems, energy consumption reports, and other related documents regarding the compliance of the DEs with the EEC Act; and
- c. Conduct meetings and/or orientation to the DE regarding other relevant information on the implementation of EEC in the facility.

Section 18. Feedback Mechanism. The DOE shall develop within the DE Online Submission Portal a feedback mechanism on the submitted report. This shall include the historical consumption of the DE, a comparison of the facility's EUI, and other relevant information. The DOE may also conduct inquiries through e-mail or during the conduct of monitoring and verification activities.

Section 19. Roles of Electric Cooperatives (ECs) and Distribution Utilities (DUs). ECs and DUs shall submit a "List of DEs" which shall contain the following information:

- a. Client's Name;

- b. Typology;
- c. Electricity consumption of the DE for the previous CY broken down into monthly consumption;
- d. Address; and
- e. Contact Details (e-mail, contact number, etc.).

The above information shall be submitted to the DOE through the Electric Power Industry Management Bureau (EPIMB) pursuant to DC No. DC2010-03-0003 or Directing All Power Generation Companies, Transmission Service Provider, and All Distribution Utilities to Ensure Adequate and Reliable Electric Power Supply in the Country and its subsequent issuances. The EPIMB shall include the submission of ECs and DUs in their annual reportorial requirements pursuant to existing policies of the DOE. EPIMB shall regularly update the Energy Utilization Management Bureau (EUMB) on the submitted information from said stakeholders.

Section 20. Coordination with Relevant National Government Agencies (NGAs) and Sectoral Associations. The DOE, through EUMB, shall coordinate with relevant NGAs, such as the Department of Trade and Industry (DTI), among others, for further identifying energy-intensive entities and for harmonizing policies under the EEC Act with existing rules and regulations governing the Industrial Sector. Likewise, EUMB shall coordinate with industrial sector associations for the successful implementation of this DC.

Section 21. Information Dissemination and Subsequent Guidance. The EUMB shall conduct nationwide activities to provide comprehensive orientation and workshops to stakeholders regarding their compliance with the EEC Act, the EEC-IRR, and all subsequent Issuances.

Further to this, EUMB may issue IGs and Advisories, as deemed necessary, for a more streamlined and efficient implementation of this DC: *Provided That*, an IG may only be issued after public consultation and shall take effect after fifteen (15) days from its publication.

Section 22. Confidentiality. All submitted information and data shall be treated with utmost confidentiality and may be used for monitoring, planning, and policy development of the DOE. No information and data shall be used other than those provided herein and shall comply with the provisions of the Data Privacy Act of 2012 to protect and limit the disclosure of confidential or commercially sensitive information unless allowed by the concerned party or when required by law, rules, and regulations.

Section 23. Prohibited Acts. Any person or entity who violates the following shall be subject to the penalties under Section 24 of this DC. For the purposes of this DC, the following shall be deemed as Prohibited Acts:

- a. Failure to submit their AEECR and AEUR to the DOE;

- b. Forge, alter, counterfeit, or falsely make any submission for the purpose of compliance;
- c. Failure to comply with the obligations under Section 66 of the EEC-IRR;
- d. Failure to appoint the proper EE Practitioners; and
- e. Failure to submit to monitoring, verification, enforcement, and post-evaluation activities.



Section 24. Fines and Penalties. Pursuant to Section 32 of the EEC Act in relation to Section 83 of the EEC-IRR and without prejudice to fines and penalties, including criminal, under applicable laws, the fines and penalties for violations of the prohibited acts outlined in Section 23 of this DC are as follows:

Violation	Penalties and Fines (in PhP)		
	100,000.00	500,000.00	1,000,000.00
Failure to submit their AEECR and AEUR to the DOE	1 st Offense	2 nd Offense	3 rd Offense with endorsement to Local Government Units for Administrative Sanctions
Forge, alter, counterfeit, or falsely make any submission for the purpose of compliance	1 st Offense	2 nd Offense	3 rd Offense with endorsement to Local Government Units for Administrative Sanctions
Failure to comply with the obligations under Section 66 of the EEC-IRR	1 st Offense	2 nd Offense	3 rd Offense with endorsement to Local Government Units for Administrative Sanctions
Failure to appoint the proper EE Practitioners	1 st Offense	2 nd Offense	3 rd Offense with endorsement to Local Government Units for Administrative Sanctions
Failure to submit to monitoring, verification, enforcement, and post-evaluation	1 st Offense	2 nd Offense	3 rd Offense with endorsement to Local Government Units for Administrative Sanctions

Section 25. Transitory Clause. Upon issuance of this DC, DEs are given six (6) months or before the deadline of the next compliance period, which is due on every 15th of April, whichever comes first, to comply with the following:

- a. Submit an AEECR and AEUR to the DOE through the DE Online Submission Portal;
- b. Identify an EE Practitioner and have them duly certified by the DOE; and
- c. Submit an Energy Audit Report to the DOE.

Section 26. Repealing Clause. The provisions of other circulars, specifically MC No. MC2020-05-0001 and other orders, issuances, rules, and regulations, which are

inconsistent with the provisions of this DC, are hereby repealed, amended, modified, or superseded accordingly.

Section 27. Separability Clause. If for any reason, any section or provision of this DC is declared unconstitutional or contrary to statutes or relevant IRR, the other parts or provisions hereof that are not affected thereby shall continue to be in full force and effect.

Section 28. Effectivity. This DC shall take effect fifteen days (15) after its publication in at least two (2) newspapers of general circulation. A copy of this DC shall be filed with the University of the Philippines Law Center - Office of the National Administrative Register.

Issued on ____ December 2023 at DOE, Energy Center, Rizal Drive cor. 34th Street, Bonifacio Global City, Taguig City.


RAPHAEL P.M. LOTILLA
Secretary



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