



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2024-028

To : **ALL BANKS**

Subject : **Frequently Asked Questions on the Financing of Excluded Activities and Coal-Fired Power Plant Projects**

Pursuant to Circular No. 1187 dated 21 February 2024 on the Philippine Sustainable Finance Taxonomy Guidelines (SFTG) *version 1*, the attached Frequently Asked Questions (FAQs) is issued to provide guidance on the financing of excluded activities and coal-fired power plant projects in relation to the adoption and implementation of the SFTG.

This issuance is the first of a series of FAQs to supplement and clarify provisions of the SFTG and the other sustainability-related regulations of the BSP.

The BSP will continue to engage banking industry associations, financial sector regulators, and other relevant stakeholders on the implementation and in the development of future iterations of the local taxonomy.

For information and guidance.

ELI M. REMOLONA, JR.
Governor

27 September 2024

FREQUENTLY ASKED QUESTIONS ON SUSTAINABLE FINANCE TAXONOMY GUIDELINES (Series 1.0)

EXCLUDED ACTIVITIES AND COAL FINANCING

1. Can banks finance Excluded Activities enumerated in the SFTG?

- ✔ Yes, BSP supervised financial institutions (BSFIs) may finance Excluded Activities under the SFTG. In general, financing of an Excluded Activity is not covered by the SFTG. Hence, the activity should not be labeled as “Green”, “Amber”, or “Red”. Furthermore, unlabeled activities do not mean that they are inherently unsustainable.

The SFTG, however, recognizes that there are certain Excluded Activities that may be considered as enablers for climate change mitigation or climate change adaptation. For instance, the extraction of certain minerals is critical to the development of solar panels, energy storage systems, and transmission lines which connect renewable energy (RE) to the grid, which all contribute to the reduction of greenhouse gas (GHG) emissions. This and other similar activities may be assessed following the procedures under the SFTG.

2. How is the financing of coal or fossil-fuel projects handled in the SFTG?

- ✔ Financing coal or fossil-fuel projects is considered an Excluded Activity; hence, outside of the scope of the SFTG.

Consistent with the item above and the relevant policies and guidelines of the Department of Energy (DOE), the SFTG does not prohibit, and BSFIs may indeed grant loans to finance the needs of existing and operational coal-fired power generation facilities, or any new coal-fired power projects which are considered by the DOE as committed projects, among other criteria.

Financing decisions of BSFIs should consider the energy transition scenarios and timelines under the Philippine Energy Plan (PEP). The PEP highlights that conventional energy sources such as coal and natural gas would continue to be a part of the country’s power mix as the country works to expand RE generation to at least 35% share in the power mix by 2030, 50% by 2040, and more than 50% by 2050.

Meanwhile, the SFTG covers energy-related transition activities which may include financing coal-fired power plants to support their early retirement or repurposing. Following the procedures under the SFTG, these activities may be categorized as “Amber”.