AZEC in *the Philippines*

HOW CAN THE ASIA ZERO EMISSION COMMUNITY SUPPORT THE COUNTRY'S SHIFT TO SECURE AND CLEAN ENERGY

Hanna Hakko, Russell Marsh, Madhura Joshi

The transition to clean energy is a key objective for the Philippines, which sees renewable energy expansion and reducing fossil fuel dependency as a national imperative, especially in light of the 2026 energy crisis. The Japan-led AZEC initiative is expected to contribute to this transition, but has so far generated limited tangible clean energy transition projects in the Philippines; only one was identified in the AZEC MOUs signed between 2023 and 2025. The country's plans for grid modernisation and vast renewable energy capacity additions offer investment opportunities for Japanese companies – and AZEC can help them grasp these opportunities.

Recommendations

Opportunities for AZEC to support secure and clean energy cooperation with the Philippines

- **Prioritise utilising Japan's capabilities in transmission and distribution technologies** to contribute to modernising grid infrastructure in the Philippines, as well as through the ASEAN Power Grid.
- **Consider establishing an energy efficiency programme in the Philippines**, similar to the AZEC SAVE initiative in Thailand, to identify energy saving practices and technologies deployable in the near to medium term to reduce reliance on imported fuels.
- **Ensure that potential energy crisis-response funding through the POWERR Asia initiative is directed to measures that reduce fossil fuel dependencies** and do not cause long-term lock-in to new fossil fuel infrastructure.

- **Scope opportunities for additional wind projects** and share experiences with other AZEC countries pursuing wind development, building on ongoing AZEC cooperation on wind between Japan and the Philippines and Japan's offshore wind technology export vision.
- **Diversify the types of renewable energy projects pursued**, and expand support for clean power sector development in alignment with the Philippines' renewable energy growth goals. In particular, explore opportunities in agrivoltaics and geothermal.
- **Build coordination between international energy transition support programmes** to ensure efficiency and strategic alignment.
- **Strengthen the coordination and alignment of AZEC's project development and funding priorities with the ASEAN energy objectives** set out in the ASEAN Plan of Action for Energy Cooperation (APAEC) 2026–2030 and the strategic direction in scenarios such as the ASEAN Renewable Energy Long-term Roadmap.

Context: energy in the Philippines, now and in the future

Fossil fuels play a large role in the Philippines' current energy mix: coal and gas provide 76% of its electricity generation, while oil makes up a large share of the country's overall energy supply.[1] Reliance on these fuels comes with major energy security risks, as the Philippines relies on imports for 68% of coal, 26% of gas and 95% of its oil supply.[2] These risks materialised in 2026, as the effective closure of the Strait of Hormuz and the ensuing energy market crisis have hit the Philippines hard, causing energy supply restrictions, a sharp rise in inflation, increased risk of unemployment, and hampered economic growth.[3] This has come on top of existing challenges with energy access, high energy prices and poverty.

Following the onset of the crisis and the declaration of a national energy emergency, the Philippines' decision-makers have spoken strongly about the urgency of clean energy transition. In March 2026, Energy Secretary Sharin emphasised that "*amid the Middle East conflict, accelerating the development of renewable energy and storage is both a strategic necessity and a national imperative*".[4] Speaking with Japan's former Prime Minister Kishida in April, President Marcos highlighted that he wanted to see the two countries "*continue our work in moving our countries away from fossil fuels and absorb more of the renewables*

[1] Ember, April 2026, **The Philippines**; IEA, **Energy system of Philippines** (accessed July 2026)
[2] IEA, The Philippines data for 2023 for net imports of **coal**, **gas**, **oil** (accessed July 2026)
[3] Nikkei Asia, 18 May 2026, **Marcos orders 10% cut to Philippine government expenses to ease crisis**
[4] Department of Energy, March 2026, **DOE: 250 MW Solar, 450 MWh Battery Storage Boosts Power Supply, Strengthens Energy Independence**

technology that we have been trying to shift to".[5] In line with this, the government has decided to fast-track renewable energy projects, aiming to reduce dependence on fuel imports.[6]

In its energy policy formulated before the crisis, the Philippines was already planning to significantly increase the share of renewable energy in its power mix. The current policy, set out in the Philippine Energy Plan (PEP 2023–2050),[7] aims to raise the share of renewables to 35% of the power generation mix by 2030, and to 50% in 2040. The Plan's more ambitious Clean Energy Scenario (CES) sees the share of coal in the power generation mix decline to 21%, and that of gas to about 15% in 2040, while renewables increase to nearly 57%. However, a newer 2025 development act on gas seeks to promote its role in the Philippines' energy transition through development of domestic resources.[8]

Nevertheless, under the existing PEP, the largest opportunities for investment and economic growth in the power sector are in renewable energy. 82% of the new power capacity additions to meet growing energy demand between 2023 and 2050 would come from various renewable technologies (Figure 1), meaning about 106.6 GW of additional renewable capacity in the CES scenario. The government has estimated that realising its full plans for energy sector development would require total financing of PhP 19,646–31,336 billion (USD 357–570 billion). Of this, PhP 6,610–11,727 billion (USD 120–213 billion) would be directed to renewables and battery storage investments.

Building on the government's strategy, various external experts are developing scenarios for an accelerated clean energy transition. A key example is the Accelerating Clean Energy Scenario (ACES)[9] developed by the Southeast Asia Energy Transition Partnership in cooperation with the Philippines' Department of Energy. Under this scenario renewables provide around 62–67% of power generation by 2040. This accelerated renewable deployment would enable the country to retire import-reliant coal power plants early – achieving full phase-out by 2045 in the fastest transition scenario – and lessen the role of gas in power generation compared to the current plan, reducing exposure to energy security and economic shocks such as those experienced in 2020s.

[5] Inquirer, 30 April 2026, **Marcos welcomes Japan ex-PM, promotion of renewables upheld**

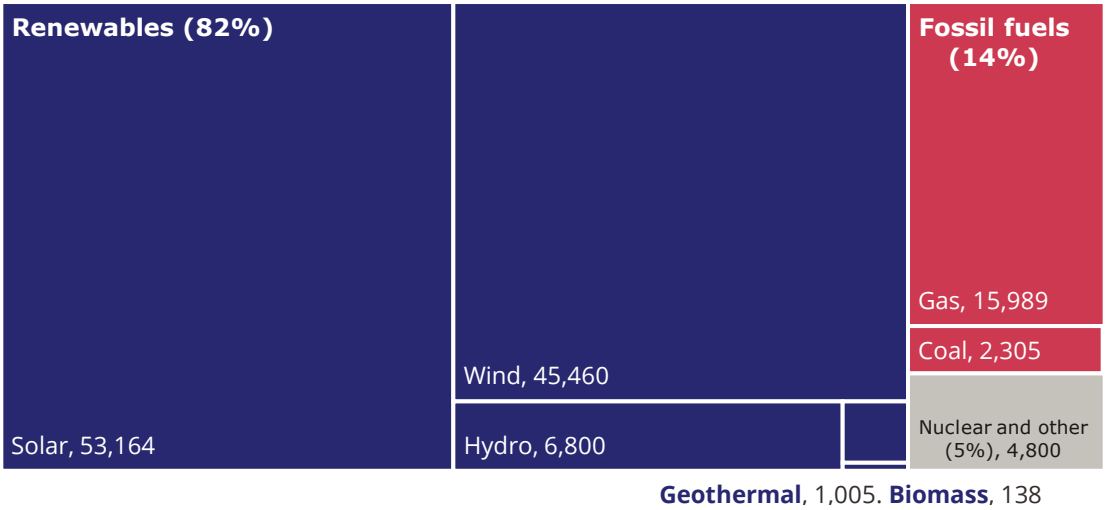
[6] Philippine Information Agency, 14 May 2026, **DOE fast-tracks renewable energy projects to reduce fuel dependence**

[7] Department of Energy, 2023, **Philippine Energy Plan 2023-2050** (pdf)

[8] Philippine News Agency, 15 January 2025, **Marcos OKs natural gas industry development law**

[9] The Southeast Asia Energy Transition Partnership, June 2026, **Accelerating Clean Energy Scenario in the Philippines: Report on BAU and Clean Energy Scenarios** (pdf)

Renewables to cover 82% of planned power capacity additions in the Philippines by 2050 (MW)



***Source**: Philippine Energy Plan 2023–2050, Clean Energy Scenario.*

Figure 1: Power generation capacity addition (MW) needs identified in the Philippine Energy Plan's Clean Energy Scenario, totalling 129.7 GW. Battery storage, projected to require 22 GW capacity additions, is not reflected in the figure. Percentages do not total 100 due to rounding.

The Philippines has already made progress on improving the conditions for increased clean energy deployment, and has seen a significant boost in renewable energy investments since 2022. Solar has grown especially rapidly from 2024 onwards,[10] demonstrating the lowest available generation costs, outcompeting coal and gas.[11] Renewable energy capacity growth and improved transmission have been credited with lowering electricity prices in the country, a key objective for the Philippines.[12]

The energy transition enjoys strong support from the Philippines' private sector. A poll in June 2026 showed a majority of Philippine executives to be highly supportive of the transition to renewables-based power system. 92% of respondents think the Philippines is too reliant on fossil fuels and that businesses should prioritise electrification to replace fossil fuel-powered equipment over the next decade.[13] This is an agenda the government has also recently endorsed via its support of the Electrify Now initiative, announced at the Global Energy Transition & Electrification Summit during London Climate Action Week.[14]

---

[10] Magoncia, Grendell, Diogenes Alexander Xernan Lee, and Renz Torillos, January 2026: Renewable Energy Transition in the Philippines: Trends, Opportunities, Challenges; **IMF Selected Issues Paper SIP/2026/005**

[11] BNEF, June 2025, **Solar Shines the Path for the Philippines to Reduce Reliance on Fossil Fuel Imports**

[12] Power Philippines, July 2025, **WESM rates down 26% in H1 on RE surge, grid expansion**

[13] We Mean Business Coalition, E3G, Global Renewables Alliance, Public First, June 2026, **Powering Up: Business perspectives on electrification**

[14] Department of Energy, June 2026, **Statement of Support**; E3G, June 2026, **E3G co-hosted Global Energy Transition and Electrification Summit: Outcomes Summary**

AZEC's track record in the Philippines

MOUs and concrete projects under AZEC

Based on analysis of the MOU lists released by Japan's Ministry of Economy, Trade and Industry (METI),[15] the Philippines has the fifth largest number of AZEC deals, totalling 33 Memoranda of Understanding (MOUs). Many of these MOUs focus on agriculture and land use related cooperation, often aiming to generate carbon credits (Figure 2).

Meanwhile, tangible AZEC-branded energy or power sector projects in the Philippines remain scarce. We identified just two MOUs with notable inclusion of renewable energy. These include **only one concrete renewable power project** – however, the project is significant as one of the larger onshore wind projects in Southeast Asia (see box on next page).[16]

Renewables may feature more in future cooperations, as the second of the two renewables-related MOUs promises to support a local conglomerate in expanding its renewable energy portfolio through financing activities. Considering the Philippines' government's strong interest in accelerating renewable deployment, there is scope to develop more renewables-focused deals going forward.

One MOU released in 2025, signed by a Japanese bank and the Philippine Economic Zone Authority, highlights the intention to explore the use of carbon credits to facilitate managed phase-out of coal – however, no details about potential target facilities have been disclosed.

AZEC MOUs in the Philippines have had limited focus on energy transition so far

Source: *E3G analysis of AZEC MOUs between Japan and the Philippines released in 2023–2025.*

Figure 2: Distribution of cooperation areas in AZEC MOUs in the Philippines.

[15] Ministry of Economy, Trade and Industry, **Asia Zero Emission Community (AZEC)** (accessed July 2026)

[16] Economic Research Institute for ASEAN and East Asia and Secretariat of AZEC, December 2023, **Asia Zero Emission Community Progress Report 2023**

▶ AZEC-branded wind power in the Philippines

In the first AZEC Ministerial in 2023, Shizen Energy and Ganubis Renewable Energy agreed to pursue the development of an onshore wind power plant in the Visayas region.[17] While initially planned to have a capacity of 96 MW, the scale has now grown to 103.5 MW. The project is currently in the planning phase, with commercial operation aimed to start in 2028.[18]

Unlike in the case of several other AZEC countries, no AZEC cooperations in the Philippines seem to be explicitly promoting fossil fuel-related projects. However, LNG is mentioned as a cooperation area in an MOU signed in 2025 between Japan's METI and the Philippines' Department of Energy (DOE), alongside several other energy technologies. In the Japan–Philippines Summit in May 2026, the countries mentioned renewable energy, offshore wind, nuclear and LNG as key cooperation areas.[19]

It is important to note that AZEC does not cover all of Japan's energy-related activities in the Philippines. Japan has also supported renewable projects through other methods, such as the Joint Crediting Mechanism, as well as fossil fuel infrastructure, such as the contested Batangas LNG terminal.[20]

Comparison to other AZEC countries

The overall share of MOUs that include references to renewbles development is lower for the Philippines than for its peer countries. 20%–25% of AZEC deals in Indonesia, Viet Nam, Thailand and Malaysia feature renewables, compared to 6% of the Philippines' MOUs (Figure 3).

Looking at agreements that feature tangible projects, the one wind power deal in the Philippines remains modest compared to the number of clean energy projects AZEC has generated with regional neighbours like Indonesia and Viet Nam, each of which have about ten tangible renewables projects mentioned in their MOUs. Meanwhile, Thailand and Malaysia, who have a comparable total number of MOUs, each have only one renewable power generation project mentioned in the MOUs, equivalent to the Philippines.

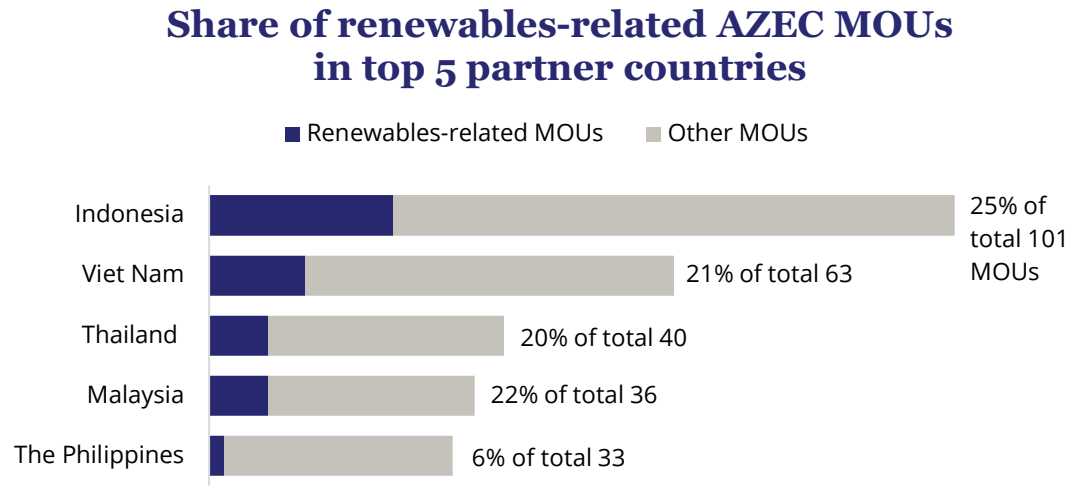
---

[17] Shizen Energy, March 2023, **Shizen Energy agrees to promote one of the largest onshore wind farms in Southeast Asia in the Philippines**

[18] Department of Energy, March 2026, **Private Sector Initiated Power Projects (Indicative) in Visayas**

[19] Government of Philippines, May 2026, **The Philippines-Japan Joint Statement on the Elevation to a Comprehensive Strategic Partnership: "Weaving the Future Together: Peace, Prosperity, Possibilities"**

[20] The Philippine Star, 8 February 2024, **Japan bank probes environmental concerns over LNG terminal in Batangas**



Source: *E3G analysis of AZEC MOUs between Japan and partner countries released in 2023–2025.*

Figure 3: Share of renewables-related agreements in AZEC MOUs. **Renewables-related agreements** include tangible renewable energy projects in power generation and industrial settings; direct financing for such projects; various clean fuel production and supply chain cooperation; renewables-dedicated storage; masterplans, etc.; excluding MOUs that generally mention several technologies without a clear emphasis on any particular focus area. **All other types of MOUs** include topics such as: general relationship building; policy and research cooperation; emissions accounting; agriculture; as well as fossil fuel-related agreements.

While the renewable power project in Philippines features wind power, other countries have seen Japanese projects in technologies including solar power, geothermal, hydro power, industrial park decarbonisation, and sole use (not co-fired with fossil fuels) of green hydrogen or ammonia in industrial facilities.[21] This range of clean energy technologies would be applicable to the Philippines as well, indicating Japan could support more clean technology-focused MOUs in the country going forward.

AZEC financing to the Philippines

To date, the published MOUs include no information about provision of financing by Japanese public or commercial financial institutions, though both have signed MOUs with Philippine counterparts. For example, Japan Bank for International Cooperation (JBIC) signed MOUs with three major conglomerates in 2023, aiming to promote concrete projects between them and Japanese companies. However, no further information about financing decisions has been disclosed, making it difficult to assess if and how AZEC has contributed to meeting the Philippines' clean investment needs so far.

[21] E3G, October 2025, **Getting the Asia Zero Emission Community right**

In May 2026, Japan indicated it would support the Philippines in developing its national oil reserve system[22] through the $10 billion "Partnership On Wide Energy and Resources Resilience" (POWERR Asia) support package Japan announced at the AZEC Plus Summit in April 2026.[23] The near-future focus of the package is on responding to the immediate energy market disturbances and securing alternative fuel supplies. However, the initiative's longer term, structural approach also includes significant emphasis on oil and gas facilities, with very limited inclusion of renewable energy. As such, while the package may offer some support for measures that could provide short-term relief from the impacts of the ongoing crisis, its longer-term direction appears to be misaligned with the Philippines' significant financing needs for renewable energy and grid expansions. Criticism has also been voiced about the emphasis on loans, risking growing the country's debt burden.[24]

AZEC institutions in the Philippines

The Philippines and Japan's cooperation on AZEC has been institutionalised through the **AZEC Japan–Philippines High-Level Coordination Dialogue** (HCD) and **AZEC Japan–Philippines Project Development Platform** (PDP).[25] The HDC provides a channel for high-level discussion between Japan's METI and the Philippines' Department of Energy. The PDP, on the other hand, is aimed at incubating collaboration between corporations of both countries, with potential support from JBIC, which is also a member of the platform.

While these structures may be helpful in matching potential project partners and financiers, evaluating this is challenging given limited information about the participating stakeholders or concrete investment decisions so far.

Beyond AZEC, the Philippines actively participates in other international energy initiatives, such as the Southeast Asia Energy Transition Partnership[26] and the UK PACT programme.[27] Going forward, it will be important to build coordination between AZEC and parallel international collaboration initiatives with similar objectives around energy transition to ensure efficiency and strategic alignment.

---

[22] Government of Philippines, May 2026, **The Philippines-Japan Joint Statement on the Elevation to a Comprehensive Strategic Partnership: "Weaving the Future Together: Peace, Prosperity, Possibilities"**

[23] Ministry of Foreign Affairs, 15 April 2026, **Asia Zero-Emission Community (AZEC) Plus online Summit on energy resilience (Summary)**

[24] Philippine Movement for Climate Justice, May 2026, **PMCJ on DOE's Japan METI partnership: The Philippines needs a strategic and aggressive shift to renewables, not another debt-driven fossil fuel deal**

[25] Ministry of Economy, Trade and Industry, 1 April 2024, **Agreement Reached on Inauguration of AZEC Japan-Philippines High-Level Coordination Dialogue in the Philippines**

[26] Southeast Asia Energy Transition Partnership, **The Philippines** (accessed July 2026)

[27] UK Government, December 2025, **UK, Philippines boost climate partnership for clean energy**

How could Japan best support the Philippines' energy security and clean transition?

The opportunity for accelerating AZEC's support for power sector decarbonisation in the Philippines is clear. As the country plans to reduce dependency on imported fuels and significantly scale up renewables and storage, Japan should align its offer with these needs.

The Philippines has often highlighted its interest in Japan's support and investments in clean technologies. It has especially welcomed Japanese expertise on renewables expansion and offshore wind port infrastructure, smart grid modernisation, transport decarbonisation, and coal plant repurposing.[28] In a bilateral power sector seminar organised under AZEC in spring 2026, the Philippines' Department of Energy further highlighted its plans for integrating renewable energy and storage, modernising grids infrastructure, energy efficiency and carbon footprint tracking, and emphasised Japan's role as a strategic partner in these fields.[29]

Many of these needs match well with Japan's self-identified clean technology strengths and practical experience in implementing them. The government has highlighted export opportunities for Japanese companies in the following key clean technologies:[30]

- distributed power technologies (including solar, wind, storage and energy management)
- geothermal power generation
- power grids (including digitalisation, fluctuation forecasting and stabilisation)
- power and heat management
- zero-emission housing that brings together energy saving and generation, for example through energy efficient air conditioning and solar.

There is a particularly clear match in both countries' interest in grid development. AZEC is already promoting concrete studies and investments in grids, transmission and distribution within other member countries, with several companies contributing to these activities. Pursuing similar bilateral deals and concrete projects between Japan and the Philippines is a key area AZEC could prioritise.

[28] Power Philippines, 12 September 2025, **PH Urges Japanese Investors to Support Clean Energy and Infra Push**

[29] Department of Energy, 20 March 2026, **DOE sees Japanese technology contribution to PH energy security at Power Sector Seminar**

[30] Ministry of Economy, Trade and Industry, 15 October 2025, **Trends in Japan's international energy policy and expectations for overseas demonstration projects** (pdf, Japanese)

Offshore wind power was specifically mentioned as an area of common interest at the Japan–Philippines Summit in May 2026.[31] As AZEC already includes an ongoing wind project in the Philippines, the countries can build on the experiences from this project to expand their cooperation, and share these experiences with other AZEC countries with notable wind potential, including Viet Nam, Thailand and Cambodia.[32] This could help Japan meet its sizeable goal of involvement in 30 GW worth of overseas floating offshore wind projects by 2040, an ambition set out in its "17 Strategic Fields" Roadmap.[33]

Given the major growth targets for solar in the Philippines' plans for power capacity additions, AZEC should also take the opportunity to facilitate investments in this field, as it already does in other AZEC countries. Agrivoltaics is a particularly promising area for the two countries to explore. The Philippines has recently announced a specialised auction targeting agrisolar expansion,[34] while a Japanese company is already piloting the technology through AZEC in Viet Nam.[35]

Beyond pursuing progress in bilateral cooperation toward the energy transition, the Philippines – as the 2026 Chair of ASEAN – and Japan could consider institutional and practical options to strengthen coordination between ASEAN's joint energy planning and the AZEC initiative. AZEC will be best placed to contribute to the region's vision if its strategic direction, project development and funding priorities are aligned with the ASEAN energy objectives set out in the ASEAN Plan of Action for Energy Cooperation (APAEC) 2026–2030, as well as complementary plans with longer timescales, such as the ASEAN Renewable Energy Long-term Roadmap.

By continuing to build on AZEC's initial progress on clean energy, and complementing this with an increased focus on grids, clean flexibility, electrifying key sectors including transportation, industry and housing, and diversifying clean supply chains, the initiative could play a major role in supporting Southeast Asian countries in strengthening collective resilience, reduce the economic and energy security risks from fuel dependencies, while generating economic growth, meeting decarbonisation targets and addressing climate vulnerabilities.

[31] Ministry of Foreign Affairs, 28 May 2026, **Japan-Philippines Summit Meeting and Dinner**

[32] IEA, September 2025, **Integrating Solar and Wind in Southeast Asia**

[33] The Cabinet Office of Japan, June 2026, **Draft Public-Private Investment Roadmap for "Key Products and Technologies" in 17 Strategic Areas** (in Japanese, pdf)

[34] The Tribune, 25 May 2026, **Gov't prepares green auction for Agrisolar projects**

[35] Nikkei, 21 January 2026, **Agritree developing agricultural solar in farmland in Viet Nam, aiming for commercialisation by 2026** (Japanese)

ABOUT E3G

E3G is an independent think tank working to deliver a safe climate for all.

We drive systemic action on climate by identifying barriers and constructing coalitions to advance the solutions needed. We create spaces for honest dialogue, and help guide governments, businesses and the public on how to deliver change at the pace the planet demands.

More information is available at **www.e3g.org**

COPYRIGHT

AUTHORS

Hanna Hakko is a Senior Policy Advisor based in Helsinki, who focuses on Japan's international role in climate policy and energy transition, especially its energy diplomacy and finance in the Asian region.

Russell Marsh is a Regional Lead – Southeast Asia based in Singapore. He has over 25 years' global experience in climate policy, the energy transition and finance, and now focuses on the energy transition and climate finance across ASEAN.

Madhura Joshi is Programme Lead – Asia based in Mumbai, focusing on accelerating just clean energy transition and diplomacy in Asia. She supports expansion of our work in the region and manages E3G's programmes in India, Indonesia, and Japan.

ACKNOWLEDGEMENTS

We are grateful to experts at Zero Carbon Analytics and Philippine Movement for Climate Justice who reviewed earlier versions of this briefing.