



Republic of the Philippines
Department of Environment and Natural Resources
Visayas Avenue, Diliman, Quezon City
Tel. Nos. (02) 8920-0689 / 8925-8275 / 0917-885-3367 / 0917-868-3367
Website: <http://www.denr.gov.ph> / E-mail: web@denr.gov.ph

MEMORANDUM

FOR : The Directors
Biodiversity Management Bureau
Environmental Management Bureau
Forest Management Bureau
Mines and Geosciences Bureau
Ecosystems Research and Development Bureau
Climate Change Service
Legal Affairs Service

FROM : The OIC Director
Policy and Planning Service

SUBJECT : **INDO PACIFIC ECONOMIC FRAMEWORK (IPEF) FOR
ENHANCING PROSPERITY MINISTERIAL STATEMENT
DRAFTING SESSIONS**

DATE : 12 AUG 2022

This refers to the ongoing drafting sessions for the ministerial statements for the proposed US-led Indo Pacific Economic Framework (IPEF) for Enhancing Prosperity which will be adopted in the IPEF Ministerial Meeting in September.

The IPEF is the economic component of the President Biden's Indo-Pacific Strategy, which seeks to advance resilience, inclusiveness, and competitiveness for economies. Through this initiative, the U.S. aims to contribute to cooperation, peace, stability, prosperity, and sustainable development of the region, in partnership with Indo-Pacific countries that share the IPEF's goals, interest, and ambitions for the region.

The Department has been identified as one of the agencies under the three (3) pillars for IPEF, namely: Pillar 1 (Trade), Pillar 2 (Supply Chain), and Pillar 3 (Clean Economy). The following topics on the environment will be potentially discussed in the said pillars: effective enforcement of environmental, laws and increasing levels of environmental protection; protection of the marine environment; conservation of wild fauna and flora; climate change solutions, implementation of obligations under multilateral environmental agreements, green investment, and circular economy. The Department is specifically one of the lead agencies on Pillar 3 (Clean Economy).

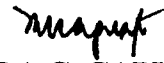
A series of focus group discussions (FGD) with relevant agencies will be conducted by the Department of Trade and Industry (DTI) for each pillar and its components, to gather inputs and comments on the provisions of the draft ministerial statements, considering the Philippine's specific interests, redlines, and sensitivities.

In this regard, we would like to seek your inputs/ comments on the attached draft ministerial statements for Pillars 2 and 3. Moreover, we would like to request for your nomination of focal point who will serve as representative to the IPEF meetings/ FGD and other matters related to IPEF.

We would appreciate receiving an advance copy of your inputs/ comments on the draft ministerial statements and nomination of focal point/s (including details of their name, designation, office, e-mail address, and contact number) **by 16 August 2022**, through this e-mail address: psddivision@gmail.com, copy furnished policy@denr.gov.ph.

For any concerns or clarifications, you may contact our Policy Studies Division through the following numbers: 8925-1183 or 09075230059 (viber- activated).

For your appropriate action, please.



MELINDA C. CAPISTRANO

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PH Pillar 2 Comments as of 21 July 2022 (without prejudice)**

**MINISTERIAL STATEMENT FOR PILLAR II OF THE
INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY**

PH General Comments on Pillar 2:

We would like to request clarification on the scope and how the Pillar is envisioned in terms of operationalization. The text refers to critical sectors and products and mechanisms to shocks or crisis. Is the intention to cover only a limited number of industries or sectors and why? It must be recognized that each economy may have different critical sectors or products based on their economic or industrial structure.

Since this pillar deals with supply chain resiliency, i.e. movement of goods, which involves logistics and trade rules, how is this being seen to be operationalized noting that this Pillar is to be negotiated independent of the trade pillar. Is this Pillar not seen to benefit from Pillar 1?

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Indo-Pacific Economic Framework for Prosperity (IPEF)

Pillar II^[A1] – Supply Chain

We, the Ministers of the United States, [Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam], are committed to the principles of transparency, diversity, security, and sustainability in our supply chains to make them more resilient^[PH: , robust,] and well-integrated. We seek to coordinate crisis response measures; expand cooperation to better prepare for and mitigate the effects of disruptions to better ensure business continuity; improve logistical efficiency; and ensure access to key raw and processed materials, semiconductors, critical minerals, and clean energy technology^[A2]. We intend to promote labor rights, support workforce development, and mobilize ^[PH:] investments^[A3] and technical assistance as part of our efforts to advance the ability of supply chains to provide a reliable supply of high-quality and affordable products. We are committed to working together and with stakeholders – workers, businesses, academia, and others outside of government – to bring these principles to life throughout the Indo-Pacific region.

To achieve our collective goal of resilient supply chains that can rapidly recover from shocks^[A4], we intend to:

- *Institutionalize Supply Chain Resilience.* We recognize that minimizing disruptions and mitigating shocks to supply chains requires evolving our public institutions and improving coordination with the private sector. We intend to pursue provisions, such as: establishing mechanisms to enable information sharing among IPEF members; and designating office(s) with relevant competencies to assess policies and develop initiatives that impact private sector supply chains.^[A5]
- *Define Criteria for Common Critical Sectors and Goods^[A6]* We acknowledge that jointly establishing a set of criteria to identify critical sectors will enhance cooperation^[PH: among] IPEF members in the case of a network shock and prepare our governments to respond urgently and effectively. We intend to pursue provisions, such as: defining a set of criteria to identify critical sectors and products^[A7] within those sectors that our economies deem to be necessary for economic and/or national security^[A8], ^[PH:] protecting human, animal, and plant (the) health and safety^[PH: of our citizens], or the production of other critical goods; jointly identifying critical goods that fall within these critical sectors based upon the set of criteria; and developing a process to identify the raw material inputs, manufacturing or processing capabilities^[A10], transportation, storage, workforce needs, and other key aspects of the supply chains that support the availability of those critical goods.
- *Increase Resiliency and Investment in Critical Sectors and Goods.* We acknowledge that supply chain resiliency requires strengthening the capacity and capability of industries to recover quickly from unexpected disruptions. We intend to pursue provisions, such as: promoting work with ^[PH: the] private sector, academic, and government stakeholders to ^[PH: accurately map the supply chain and] identify sole sources or chokepoints within supply chains; strengthening domestic industries and

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attracting new investment in critical sectors; exploring tools and institutions to promote a diversity of sources of inputs across the region, which may include economic development programs, [PH: supplier development programs,] technical assistance, and capacity building; investing in stockpiling and/or surge capacity where it is effective mitigation; investing in advanced [PH: and innovative] manufacturing techniques and other modernization efforts to strengthen existing [PH: and develop potential] suppliers; promoting labor rights [A11]; and promoting more circular economies to help reduce the need to create new sources of goods.

- *Establish a Crisis Response Mechanism* [A12]. We acknowledge that timely information-sharing between governments and with private sector actors will promote earlier warning of real-time supply chain disruptions and more efficient and effective responses. We intend to pursue provisions, such as: establishing a mechanism for government-to-government coordination on supply chain disruptions, delays, shortages, or [cyberattacks] [A13], [PH: including natural or human-induced disasters]; outlining an information sharing process that accounts for confidentiality [PH: and security] considerations; designating representatives to manage information intake and crisis response in the event of a supply chain disruption [PH: or business interruptions]; cyberattacks; and, on an ongoing basis, identifying mitigation measures, considering changes to policies or process, and coordinating with industry and workers' organizations to mitigate the impact of disruptions.
- *Strengthen Supply Chain Logistics* [A14]. We recognize that strengthening the logistics of supply chains can have broad-based, positive effects for workers and industry by making connections between our economies more efficient and resilient. We intend to pursue provisions, such as: collecting [A15] and utilizing better data on supply chain logistics; coordinating to understand vulnerabilities; and addressing existing or potential bottlenecks [A16] [PH: and facilitating investments and technology transfer on supply chain logistics.]
- *Address the Role of Workers*. We recognize that building supply chain resiliency requires skilled workers and employers who respect and promote international labor standards [A17]. We intend to pursue provisions focused on: skilled labor needs [PH:, including retooling/reskilling and upskilling of workforce to address skills gap as well as future skills requirements]; the role that workers play in supporting supply chains across manufacturing, transportation, storage, and distribution; the promotion of internationally recognized labor rights in critical supply chains; and a strategy to ensure that IPEF members and corporate actors are investing in workers and providing training opportunities to create the pipeline of skilled workers [A18] for critical supply chains and that workers and communities share in the benefits of these investments.
- *Promote Traceability* [A19] *Protocols and Cybersecurity Measures*. We recognize that improved transparency promotes respect for international labor and product standards as well as responsible business conduct, and also enables collaboration and information-sharing necessary to defend supply chains from cyberattacks. We intend to pursue provisions, such as: encouraging measures to advance traceability across supply chains; and strengthening approaches to information security in supply

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chains by building ~~[PH: for example, on the work of the OECD Working Party on
Security and Privacy in the Digital Economy (2021)]~~

Our discussions on these issues will also address the appropriate legal form to advance these objectives.

We look forward to working together to strengthen resilience in our global supply chains, especially in the critical sectors that underpin our economies, and ensure broadly shared economic growth for our workers, companies, and peoples in our markets.

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PH Pillar 3 Comments as of 22 July 2022**

**MINISTERIAL STATEMENT FOR PILLAR III OF THE
INDO-PACIFIC ECONOMIC FRAMEWORK FOR PROSPERITY**

PH General Statement on Pillar 3:

The Philippines recognizes the importance of Pillar III in light of the increasing challenges posed by climate change. To this effect the Philippines looks forward to cooperation with other countries in pursuing respective goals under the Paris Agreement, with an emphasis on common but differentiated responsibilities and respective capabilities. In addressing GHG emissions, the Philippines pays particular attention to reduction and avoidance, and a just transition towards a low-carbon economy. Cognizant of the complexity and the tall financing requirements towards a just transition, we underscore the need for cooperation on transfer of climate-friendly technologies, technical assistance and mobilization of public and private finance for sustainable, green, and climate investments.

Derived From:

Classification Authorization of June 13, 2022, by Department of Commerce Counselor and Chief Negotiator Sharon H. Yuan, per Executive Order 13526, Section 1.4(b); modified handling authorized under Section 4.1(h).

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Indo-Pacific Economic Framework for Prosperity (IPEF)

Pillar III – Clean Economy

We, the Ministers of the United States, [Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam], in recognition of [PH: our] enormous energy and infrastructure needs and in line with [PH: the our] Paris Agreement [PH: goals] and [PH: efforts], intend to accelerate the development and deployment of clean energy technologies to [PH: decarbonize our economies], build resilience to climate impacts, and support sustainable livelihoods and quality jobs for our populations. We are committed to advancing cooperation on development, [PH: transfer,] and adoption of climate-friendly technologies and to exploring innovative climate finance mechanisms to leverage public and private investment. [PH: We intend to promote internationally recognized labor rights, including through a just transition, support workforce development, and mobilize technical assistance to advance quality and sustainable infrastructure as part of our efforts to accelerate the region's decarbonization efforts. We intend to mobilize technical assistance to advance quality and sustainable infrastructure, promote internationally recognized labor rights, including through a just transition, and support workforce development (A1), as part of our efforts to accelerate the region's low carbon initiatives and energy transition agenda].

To further our shared goals, we intend to pursue **provisions** (A2) related to energy sector security, [PH: transition] and transformation (A3); [PH: methane emissions reductions across sectors; decarbonization in emission-intensive industries and sectors reduction of greenhouse gasses and air pollutants across all sectors]; sustainable land use and climate-smart forestry; innovation for greenhouse gas (GHG) [PH: removal reduction and avoidance]; and incentives for [PH: rapid] clean energy transitions. We intend to focus on:

- *Energy Sector Security, [PH: Transition,] and Transformation.* We recognize the critical importance of [PH: reliable, affordable, accessible, and sustainable energy sources, enhancing] energy efficiency [PH: and conservation, strengthening energy resiliency,] and [PH: rapidly] increasing the use of clean energy [PH: and working to ensure the energy security of net energy importers in the region.]. We intend to pursue targets and **provisions** (A4) that support the development of policies, incentives, and infrastructure related to accelerating deployment and innovation of diverse clean [PH: and affordable] technologies; [BOI: strengthening energy resiliency through policies and standards that aim to strengthen existing infrastructure and reduce risks and vulnerabilities from hazards to improve reliability of power services;] improving energy efficiency [PH: and conservation] through [PH: the] adoption of efficiency standards for goods, manufacturing, and buildings, and electric grid enhancements; and reducing emissions from [PH: traditional] energy sources with methane abatement in oil and gas supply chains.]
- *[PH: Decarbonization of Emission-Intensive Industries and Sectors Reduction of Greenhouse Gasses and Air Pollutants Across All Sectors].* To accelerate climate action and

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sustainable growth across the region, we aim to [PH: decarbonize] reduce high emissions of industries and sectors. We intend to pursue targets and provisions [AS] that support policies, incentives, technologies, and infrastructure related to [PH: decarbonizing] reducing emissions of heavy industries, the transport sector, and local economies [AS], including through scaling up low-carbon goods and services.

- *Sustainable Land Use and Climate-Smart Forestry.* We recognize that promoting sustainable land use and combatting deforestation are essential to long-term productivity, environmental stewardship, strengthened food security, and sustainable livelihoods. We intend to pursue targets and provisions that halt and reverse deforestation [PH: and land degradation] consistent with the Glasgow Leaders' Declaration on Forests and Land Use, sustainably reduce emissions and water use in the land use sector, build resilience to climate change, and reduce collective fertilizer waste.
- *Innovation for [PH: Carbon-Removal Carbon reduction and avoidance].* We recognize the importance of safe and effective technological and nature-based [PH: carbon removal Carbon reduction and avoidance] to our efforts to move towards [PH: net-zero GHG emissions reduction]. We intend to pursue actions that catalyze demand for carbon capture, [PH: utilization, and] storage and [PH: carbon removal Carbon reduction and avoidance]; support detailed [PH: biological and] geological assessments of carbon mineralization and carbon sequestration resource potential; and work towards robust monitoring, reporting and verification standards.
- *Incentives for; [PH: Rapid Just] Energy Transitions.* We recognize the critical role of the public and private sectors in strengthening the demand for low-carbon products and processes, and in ensuring a robust pipeline of viable, higher returning public and commercial projects. [A7] We intend to pursue provisions that encourage adoption of demand-side measures, including private sector advanced purchase commitments, government procurement practices, and other innovative mechanisms. We intend to pursue provisions with the goal of increasing the availability [PH: and accessibility] of finance for low-carbon projects and investments across the region by fostering enabling policies and regulations, accelerating the development of bankable projects, and expanding the use of blended finance vehicles to de-risk these projects to encourage private and institutional capital investments. We seek to promote [PH: investments,] [AS] technical cooperation, [PH: including transfer of affordable technology] [A9], workforce development, capacity building, and research collaborations critical to the region's energy transition and [PH: decarbonization low carbon] goals.

Our discussions on these issues will also address the appropriate legal form to advance these objectives.

We look forward to jointly working to develop these provisions as part of a future-oriented effort to spur innovation and productivity, and thereby improve the livelihoods of our populations [PH: in pursuit of emerging] net zero economies across the region.