



## MEMORANDUM

**FOR** : **The Assistant Secretaries**  
Policy, Planning, International Affairs and Climate Change  
Legal Affairs and Enforcement  
Field Operations - Mindanao concurrent FMB Director  
Mining Concerns concurrent MGB Director  
Biodiversity concurrent BMB Director  
Environment concurrent EMB Director

**The Directors**  
Climate Change Service  
Legal Affairs Service  
Policy and Planning Service

**The Bureau Directors**  
Land Management Bureau  
Ecosystems Research Development Bureau

**FROM** : **The Director**  
Legislative Liaison Office

**SUBJECT** : **REQUEST FOR A POSITION PAPER FOR HB NO. 10635, ENTITLED: "AN ACT ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE OWNERSHIP, TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS, AND FOR OTHER PURPOSES," FROM THE COMMITTEE ON CLIMATE CHANGE OF THE HOUSE OF REPRESENTATIVES**

**DATE** : 22 October 2024

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In reference to the electronic mail received, the Committee on Climate Change of the House of Representatives requests a position paper on House Bill No. 10635, entitled: "AN ACT ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE OWNERSHIP, TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS, AND FOR OTHER PURPOSES," authored by Representatives Jose Manuel F. Alba and Anna Victoria Veloso-Tuazon.

The Committee is tentatively scheduled to deliberate on the above measure on or before 11 November 2024.

MEMO NO. 2024 - 941

In this regard, may we request a position paper on the abovementioned House Bill for submission to the Committee. Kindly submit it on or before 28 October 2024 at 5 PM via email at [denrlo@denr.gov.ph](mailto:denrlo@denr.gov.ph).

Attached herewith is the request letter and a copy of the House Bill for your reference.

  
ROMIROSE B. PADIN

cc: Undersecretary for Special Concerns and Legislative Affairs  
Undersecretary for Finance, Information Systems and Climate Change



Republic of the Philippines  
**House of Representatives**  
Quezon City

**COMMITTEE ON CLIMATE CHANGE**

October 21, 2024

**HON. MARIA ANTONIA YULO LOYZAGA**

Secretary

Department of Environment and Natural Resources

Visayas Avenue, Diliman, Quezon City

Dear *Secretary Loyzaga*:

We wish to inform you that **House Bill No. 10635**, entitled: "**AN ACT ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE OWNERSHIP, TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS, AND FOR OTHER PURPOSES,**" authored by Representatives Jose Manuel F. Alba and Anna Victoria Veloso-Tuazon, has been referred to the Committee on Climate Change of the House of Representatives on 30 July 2024.

The Committee is tentatively scheduled to deliberate on the above measure on or before 11 November 2024. We would like to request a position paper from your office on the said bill and would appreciate it if you could send it *via* email at [committee.climatechange@house.gov.ph](mailto:committee.climatechange@house.gov.ph) before the scheduled meeting.

Attached is the electronic copy of HB 10635 for your easy reference.

Should you need more information, please contact the Committee Secretary at 09277193534 or Ms. MeAnne Ordovez at 09154448595.

Thank you.

Very truly yours,

A handwritten signature in black ink, appearing to read "Edgar M. Chatto".

**HON. EDGAR M. CHATTO**

Chairperson



Republic of the Philippines  
**House of Representatives**  
Quezon City

**COMMITTEE ON CLIMATE CHANGE**

October 21, 2024

**HON. MARIA ANTONIA YULO LOYZAGA**

Secretary  
Department of Environment and Natural Resources  
Visayas Avenue, Diliman, Quezon City

Dear *Secretary Loyzaga*:

We wish to inform you that **House Bill No. 10635**, entitled: "**AN ACT ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE OWNERSHIP, TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS, AND FOR OTHER PURPOSES,**" authored by Representatives Jose Manuel F. Alba and Anna Victoria Veloso-Tuazon, has been referred to the Committee on Climate Change of the House of Representatives on 30 July 2024.

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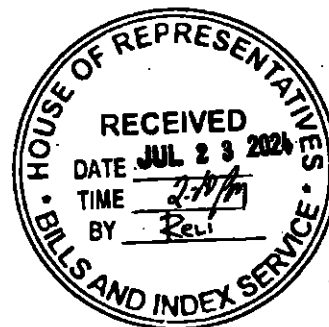
Very truly yours,

**HON. EDGAR M. CHATTO**  
Chairperson

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Manila

**NINETEENTH CONGRESS**  
Second Regular Session

**HOUSE BILL NO. 10635**



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**INTRODUCED BY REP. JOSE MANUEL F. ALBA AND  
REP. ANNA VICTORIA VELOSO-TUAZON**

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#### **EXPLANATORY NOTE**

The proposed Carbon Rights Act seeks to address the significant gaps in the current legal and policy frameworks governing carbon rights in the Philippines. The intent of this legislation is to create a comprehensive, clear, and robust legal framework that will facilitate private sector investments in carbon projects including nature-based solutions and technology-based solutions, thereby contributing to global climate change mitigation efforts and supporting the socio-economic development of local communities and indigenous peoples.

#### **Trends in Carbon Markets**

Globally, carbon markets have experienced substantial growth, driven by the increasing recognition of the urgent need to address climate change and the economic opportunities presented by carbon trading. The value of the global voluntary carbon market grew to nearly \$2 billion in 2021, a significant increase from previous years, reflecting the heightened demand for carbon credits as corporations and governments strive to meet their emission reduction targets (Ecosystem Marketplace, 2022)<sup>1</sup>. Compliance markets, such as those established under the Paris Agreement, provide additional platforms for trading carbon credits generated from various carbon reduction and sequestration projects. These markets incentivize investments in sustainable practices, offering economic benefits to project developers and contributing to global emission reduction targets (World Bank, 2022)<sup>2</sup>.

#### **Opportunities for the Philippines**

The Philippines, with its rich biodiversity and extensive natural resources, holds significant potential for carbon sequestration projects. The country's forests, mangroves, and other ecosystems are capable of sequestering substantial amounts of carbon. According to the Food and Agriculture Organization (FAO), the Philippines has approximately 7.6 million hectares of forested land, which offers vast opportunities for carbon sequestration through afforestation, reforestation, improved forest

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<sup>1</sup> Ecosystem Marketplace (2022). State of the Voluntary Carbon Markets 2021. Ecosystem Marketplace Report.

<sup>2</sup> World Bank (2022). State and Trends of Carbon Pricing 2022. World Bank Report.

management, and mangrove restoration projects (FAO, 2020). Additionally, technological solutions such as renewable energy projects and waste management initiatives can further contribute to the country's carbon reduction efforts. By tapping into both voluntary and compliance carbon markets, the Philippines can attract substantial private sector investments, drive sustainable development, and enhance its climate resilience.

### **Barriers to Private Sector Investment**

Despite these opportunities, several barriers hinder the scaling up of private sector investments in carbon forestry and other carbon projects in the Philippines:

1. **Lack of Clarity on Carbon Rights:** Existing laws such as the Philippine Constitution, PD 705 (Revised Forestry Code), and RA 8371 (Indigenous Peoples' Rights Act) do not explicitly define carbon rights, creating uncertainty regarding ownership, transfer, and benefit-sharing of carbon credits derived from carbon sequestration activities. Without clear legal definitions and guidelines, project developers face significant risks and uncertainties that can deter investments.
2. **Overlapping Jurisdictions:** Conflicts between state-declared forest lands and ancestral domains complicate project implementation and management. These overlaps can lead to disputes over land use and resource rights, necessitating clear legal guidelines to resolve such conflicts. The absence of a harmonized framework for recognizing and respecting overlapping jurisdictions hampers the effective implementation of carbon projects.
3. **Regulatory and Administrative Barriers:** The complex regulatory environment in the Philippines, coupled with the absence of local validation and verification bodies, increases costs and causes delays for carbon project developers. The lack of streamlined processes for project approval, monitoring, and certification further deters private sector investments. Simplifying these processes and establishing local validation and verification bodies could significantly reduce transaction costs and facilitate timely project implementation.
4. **Proving Additionality:** Demonstrating additionality, a requirement for carbon certification, is particularly challenging under current laws like the NIPAS Act, which already mandates conservation activities. Additionality requires that carbon sequestration activities provide benefits beyond what would have occurred in the absence of the project. The existing legal framework does not provide clear guidelines on how to prove additionality, creating obstacles for project certification (Verra, 2020)<sup>3</sup>.
5. **State's Share of Carbon Rights:** The lack of explicit provisions detailing the government's share of revenues from carbon credits creates uncertainty for equitable benefit-sharing arrangements. Without clear legal mechanisms for revenue allocation, it is difficult to ensure that the benefits of carbon projects

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<sup>3</sup> Verra (2020). Standards for Carbon Certification. Verra Guidelines.

are distributed fairly among stakeholders, including the government, local communities, and project developers.

### **Proposal for the Carbon Rights Act**

To address the barriers to scaling up private sector investments in carbon forestry and other carbon projects in the Philippines, the Carbon Rights Act is proposed with the following key provisions:

1. **Definition of Carbon Rights Ownership and Transfer:** Clearly define carbon rights as the legal entitlements to benefits from carbon sequestration activities, including ownership, transfer, and trading mechanisms, providing a firm legal basis for carbon credits.
2. **Resolution of Overlapping Jurisdictions:** Establish provisions to resolve conflicts of carbon rights ownership between state-declared forest lands and ancestral domains, ensuring clarity in policy frameworks guided by relevant jurisprudence.
3. **Affirmation of Market Rights:** Grant owners of carbon credits the freedom to sell these credits in local and international markets, providing legal certainty and market access.
4. **Mandate to Government for Exclusion of Carbon Credits from Nationally Determined Contributions (NDCs):** Ensure that carbon credits from private and indigenous projects are not double-counted in national climate commitments, making them available for market transactions.
5. **Dynamic NDC Monitoring, Reporting, and Verification (MRV) System and Corresponding Adjustments:** Mandate the Climate Change Commission (CCC) to establish a comprehensive MRV system for accurate accounting of national climate actions and compliance with international standards. The CCC shall also lead in coordinating mitigation outcomes from various sectors, including agriculture, waste, industry, transport, forestry, and energy.
6. **Baseline Development for Carbon Stock:** Require the Department of Environment and Natural Resources (DENR) to develop carbon stock baselines to reduce upfront costs for project developers and facilitate project registration.
7. **Government Responsibility for Carbon Stock Maintenance:** Ensure the government maintains carbon stocks upon the expiration of tenurial instruments, ensuring long-term sustainability and carbon sequestration benefits.
8. **Benefit-Sharing Mechanisms:** Establish guidelines for equitable benefit-sharing from carbon sequestration projects to support community development and conservation efforts.

9. **Streamlined Regulatory Framework:** Simplify regulatory and administrative processes for carbon projects to reduce costs and improve efficiency.

10. **Tax Incentives for Carbon Project Developers:** Provide tax incentives, including 100% tax deductibility of expenses related to project registration in carbon certification programs and tax exemptions on the sale of carbon credits, to encourage private sector investment in carbon projects.

In view of the foregoing, the urgent passing of this bill is earnestly sought.

  
JOSE MANUEL F. ALBA

  
ANNA VICTORIA VELOSO-TUAZON



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Manila

**NINETEENTH CONGRESS**  
Second Regular Session

**HOUSE BILL NO. 10635**

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**INTRODUCED BY REP. JOSE MANUEL F. ALBA AND  
REP. ANNA VICTORIA VELOSO-TUAZON**

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**AN ACT ESTABLISHING THE CARBON RIGHTS ACT, PROVIDING FOR THE  
OWNERSHIP, TRANSFER, AND BENEFIT-SHARING OF CARBON CREDITS,  
AND FOR OTHER PURPOSES**

*Be it enacted in the Senate and House of Representatives of the Philippines in  
Congress assembled:*

**ARTICLE 1**  
**General Provisions**

**SECTION 1. Short Title.** – This Act shall be known as the "Carbon Rights Act of 2024."

**SECTION 2. Declaration of Policy.** – It is hereby declared the policy of the State to promote sustainable development and address climate change through the establishment of a comprehensive legal framework for carbon rights. This includes the recognition, transfer, and benefit-sharing of carbon credits derived from carbon sequestration activities to foster private sector investment and support the socio-economic development of local communities and indigenous peoples.

**SECTION 3. Definition of Terms.** – For the purposes of this Act, the following terms are defined:

- 1
- 2 a) **Carbon Rights** - The legal entitlements to the benefits derived from carbon
- 3 avoidance, carbon reduction, or carbon removal activities. These rights pertain
- 4 to the outputs of such activities, which shall not be deemed as natural
- 5 resources. Carbon rights include the ownership, transfer, and trading of carbon
- 6 credits resulting from these activities.
- 7
- 8 b) **Carbon Credits** - Certificates or instruments representing the reduction,
- 9 avoidance, or removal of one metric ton of carbon dioxide equivalent (CO<sub>2</sub>e)
- 10 from the atmosphere. These credits are generated through verified carbon

- 1 reduction or sequestration activities, and their ownership is tied to the carbon  
2 rights defined in this Act.  
3
- 4 c) ***Certificate of Ancestral Domain Title (CADT)*** - Refers to the formal recognition  
5 of the rights of Indigenous Cultural Communities/Indigenous Peoples  
6 (ICCs/IPs) over their ancestral domains as provided under the Indigenous  
7 Peoples' Rights Act (RA 8371).  
8
- 9 d) ***Corresponding Adjustments*** - Refers to the process of adjusting a country's  
10 greenhouse gas inventory to account for the transfer of mitigation outcomes to  
11 ensure that there is no double counting of emission reductions.  
12
- 13 e) ***Internationally Transferred Mitigation Outcomes (ITMOs)*** - Refers to  
14 internationally traded units of greenhouse gas reductions or removals as  
15 provided under Article 6 of the Paris Agreement, which can be used by  
16 countries to meet their Nationally Determined Contributions (NDCs).  
17
- 18 f) ***Monitoring, Reporting, and Verification (MRV)*** - Refers to a system of accurately  
19 monitoring, reporting, and verifying greenhouse gas emissions reductions or  
20 removals to ensure transparency and accountability in climate actions.  
21
- 22 g) ***Nationally Determined Contributions (NDCs)*** - Refers to the climate action  
23 plans submitted by countries under the Paris Agreement, outlining their efforts  
24 to reduce national emissions and adapt to the impacts of climate change.  
25
- 26 h) ***Nature-Based Solutions (NBS)*** - Refers to actions that protect, sustainably  
27 manage, and restore natural or modified ecosystems to address societal  
28 challenges effectively and adaptively, simultaneously providing human well-  
29 being and biodiversity benefits. NBS includes activities such as Afforestation,  
30 Reforestation, and Restoration (ARR) and Reducing Emissions from  
31 Deforestation and Forest Degradation (REDD+).  
32
- 33 i) ***Project Developers*** - Refers to individuals, companies, or organizations that  
34 initiate, develop, and implement carbon projects, including those involved in the  
35 generation and trading of carbon credits.  
36
- 37 j) ***Tenorial Instruments*** - Refers to legal documents issued by the DENR granting  
38 tenure holders the rights to use and manage specific areas of public domain  
39 lands for conservation, restoration, and other related activities. This includes  
40 instruments such as Forest Land Use Agreement (FLAG), Community-Based  
41 Forest Management Agreement (CBFMA), Integrated Forest Management  
42 Agreement (IFMA), Protected Area Community-Based Resource Management  
43 Agreement (PACBRMA), and Special Use Agreement in Protected Areas  
44 (SAPA).

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- k) **Voluntary Carbon Markets** - Refers to markets where carbon credits are traded on a voluntary basis, allowing private entities, organizations, and individuals to offset their carbon emissions by purchasing carbon credits from verified projects that reduce or sequester greenhouse gas emissions.

**ARTICLE 2**  
**SCOPE OF CARBON PROJECTS COVERED**

**SECTION 4. Carbon Project Specifications.** A carbon project, for purposes of this Act, refers to any initiative, activity, or program that results in the reduction, removal, or avoidance of carbon dioxide (CO<sub>2</sub>) or other greenhouse gas (GHG) emissions, thereby generating carbon credits. Such projects shall adhere to internationally recognized standards and methodologies, including those outlined by the United Nations Framework Convention on Climate Change (UNFCCC), globally accepted voluntary carbon market standards and certification programs. All projects must adhere to the principles of these standards including demonstrating additionality, ensure proper monitoring, reporting, and verification, and comply with relevant local, national, and international regulations.

**SECTION 5. Types of Carbon Projects covered.** Carbon projects covered in this act covered the following types:

- a) **Nature-Based Solutions (NBS):** Projects utilizing natural processes to reduce, remove, or avoid GHG emissions, including but not limited to:
  - a.1) **Afforestation, Reforestation, and Revegetation (ARR):** Initiatives involving the planting of trees or vegetation on land that has not been forested for a significant period, or restoring previously forested or vegetated land to enhance carbon sequestration.
  - a.2) **Improved Forest Management (IFM):** Practices aimed at enhancing the carbon sequestration potential of existing forests through sustainable management techniques, such as selective logging, extended rotation periods, and reduced-impact logging.
  - a.3) **Reduced Emissions from Deforestation and Forest Degradation (REDD+):** Projects aimed at reducing emissions by preventing deforestation and forest degradation, conserving forest carbon stocks, and promoting sustainable forest management.
  - a.4) **Wetland Restoration and Conservation (WRC):** Rehabilitation and conservation of wetlands to enhance their capacity for carbon sequestration, including peatland restoration and the protection of freshwater and coastal wetlands.
  - a.5) **Mangrove Restoration:** Replanting and protection of mangrove ecosystems to enhance their carbon storage benefits and provide coastal protection.

- 1           a.6) *Soil Carbon Sequestration*: Practices that increase carbon storage in soils  
2           through improved agricultural techniques, such as no-till farming, cover  
3           cropping, and agroforestry.
- 4
- 5           b) *Technology-Based Solutions (TBS)*: Projects applying technological  
6           innovations to reduce or capture GHG emissions, including but not limited to:  
7
- 8           b.1) *Renewable Energy Projects*: Generation of energy from renewable  
9           sources such as solar, wind, hydro, biomass, and geothermal.  
10           Methodologies include those under Verra's Verified Carbon Standard  
11           (VCS) and Gold Standard.
- 12
- 13           b.2) *Energy Efficiency Projects*: Implementation of measures to reduce energy  
14           consumption and improve efficiency in industrial, commercial, and  
15           residential settings. Methodologies include energy savings through  
16           improved appliances, lighting, and building retrofits under Verra and Gold  
17           Standard frameworks.
- 18
- 19           b.3) *Carbon Capture and Storage (CCS)*: Capture of carbon emissions from  
20           industrial processes and their storage underground to prevent release into  
21           the atmosphere. This includes methodologies recognized by Verra and  
22           other international standards.
- 23
- 24           b.4) *Waste Management Projects*: Reduction of emissions through waste  
25           reduction, recycling, composting, and methane capture from landfills.  
26           Methodologies include landfill gas capture and utilization, and organic  
27           waste composting under Verra and Gold Standard.
- 28
- 29           c) *Hybrid Projects*: Projects combining nature-based and technology-based  
30           approaches to achieve greater carbon sequestration and emission reduction,  
31           including but not limited to:  
32
- 33           c.1) *Integrated Renewable Energy and Agroforestry*: Combination of solar or  
34           wind energy projects with agroforestry practices to maximize land use and  
35           carbon benefits.
- 36
- 37           c.2) *Sustainable Agriculture with Biogas Production*: Utilization of agricultural  
38           residues for biogas production while implementing sustainable farming  
39           practices.
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**ARTICLE 3**  
**CARBON RIGHTS OWNERSHIP AND TRANSFER**

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45           **SECTION 6. *Carbon Rights for NBS Carbon Projects***. Carbon rights shall be  
46 recognized as separate and distinct property rights, independent of land ownership.  
47 The ownership of carbon rights shall not affect or alter existing land tenure rights,  
48 including but not limited to ownership, possession, or management of land.

1           **SECTION 7. Carbon Rights for NBS Carbon Projects on Lands under Public**  
2 *Domain.* The Ownership of carbon rights on activities that generate carbon credits on  
3 lands under public domain are hereby defined as follows:  
4

5           a) *Ownership.* Carbon rights on carbon reduction or avoidance generated from  
6 lands under public domain belong to the State, as defined by the Regalian  
7 Doctrine and laws such as PD 705 (Revised Forestry Code), NIPAS Act (RA  
8 7586 as amended by RA 11038), and the Public Land Act.  
9

10          b) *Affirmation of carbon rights.* All holders to land tenure issued by DENR under  
11 various tenurial instruments including but not limited to: Forest Land Use  
12 Agreement (FLAG), Community-Based Forest Management Agreement  
13 (CBFMA), Integrated Forest Management Agreement (IFMA), PACBRMA  
14 (Protected Area Community-Based Resource Management Agreement) and  
15 SAPA (Special Use Agreement in Protected Areas) are granted rights to carbon  
16 credits gained from the conservation, restoration, and protection activities of  
17 the tenure holders.  
18

19           **SECTION 8. Carbon Rights for NBS Carbon Projects on Private Land and**  
20 *Indigenous Peoples' Land.* The Ownership of carbon rights on activities that generate  
21 carbon credits on private lands and ancestral domains are hereby defined:  
22

23          a) *Carbon Rights on Private Land.* The full rights of private landowners to carbon  
24 credits generated from activities that generate carbon credits on private lands  
25 are hereby affirmed. These rights are based on the provisions of the Public  
26 Land Act and the 1987 Philippine Constitution, specifically Article 12, Section  
27 6.  
28

29          b) *Carbon Rights on Ancestral Domains.* The full rights of Indigenous Cultural  
30 Communities/Indigenous Peoples (ICCs/IPs) to carbon credits generated from  
31 activities that generate carbon credits on ancestral domains are hereby  
32 affirmed. These rights are based on the provisions of the Indigenous Peoples  
33 Rights Act (RA 8371) and the 1987 Philippine Constitution, specifically Article  
34 12, Section 5.  
35

36           **SECTION 9. Carbon Rights for NBS Carbon Projects in Overlapping**  
37 *Jurisdictions.* Carbon rights in jurisdictions where there are overlaps are hereby  
38 defined:  
39

40 In cases where there is an overlap in jurisdiction between an Ancestral Domain Title  
41 (CADT) or Certificate of Ancestral Domain Title (CADT) and tenurial instruments  
42 issued by the Department of Environment and Natural Resources (DENR), the carbon  
43 rights shall be vested in the holders of the CADT. This provision recognizes the  
44 precedence of ancestral domain claims over conflicting tenurial instruments, ensuring

1 that the Indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs) retain their  
2 full carbon rights within their ancestral domains.

3  
4 *Provided, however, that in areas declared as part of the National Integrated Protected*  
5 *Areas System (NIPAS) under the NIPAS Act, the carbon rights shall belong to the*  
6 *State, even if these areas are part of a CADT. This exception ensures that the State*  
7 *retains carbon rights within nationally protected areas to support national conservation*  
8 *goals.*

9  
10 **SECTION 10. *Transfer of Ownership of Carbon Rights for NBS Carbon***  
11 ***Projects.*** The transfer of ownership of carbon rights shall be governed by the following  
12 provisions:

13  
14 a) ***Contractual Agreements:*** The transfer of carbon rights from carbon rights  
15 owners to carbon project developers shall be effected through contractual  
16 agreements. These agreements shall be duly notarized and shall specify the  
17 terms and conditions of the transfer, including the duration, scope, and any  
18 associated rights and obligations.

19  
20 b) ***Benefit-Sharing Agreements:*** Contractual agreements transferring carbon  
21 rights shall include provisions for equitable benefit-sharing. These agreements  
22 shall clearly define the allocation of revenues generated from carbon credits,  
23 ensuring fair compensation for all parties involved. Benefit-sharing mechanisms  
24 shall consider the extent of land use, carbon sequestration potential, and  
25 project profitability.

26  
27 c) ***Transparency and Equity.*** All agreements for the transfer of carbon rights shall  
28 be transparent and equitable. The terms of the agreements shall be  
29 communicated clearly to all parties, and provisions shall be made to ensure that  
30 the agreements are mutually beneficial and just.

31  
32 d) ***Registration:*** The transfer of carbon rights and the associated contractual  
33 agreements shall be registered with the Climate Change Commission (CCC)  
34 for monitoring and compliance purposes. The agreements shall comply with all  
35 relevant laws and regulations.

36  
37 e) ***Dispute Resolution:*** In case of disputes arising from the transfer of carbon rights  
38 or the implementation of benefit-sharing agreements, the parties shall first seek  
39 resolution through mediation or arbitration. If disputes remain unresolved, they  
40 may be brought before the appropriate legal or administrative bodies for  
41 adjudication.  
42

1           **SECTION 11. Carbon Rights for Technology-Based Solutions (TBS) Carbon**  
2 **Projects.** Carbon rights for Technology-Based Solutions (TBS) carbon projects are  
3 hereby defined:  
4

- 5           a) **Ownership:** Carbon rights for TBS carbon projects shall belong to the project  
6 developers. Project developers shall have full rights to these carbon projects,  
7 including the right to use, sell, trade, or transfer the carbon credits generated  
8 from such projects.  
9
- 10          b) **Full Entitlement:** Project developers shall be entitled to all benefits arising from  
11 the carbon credits, and they shall have the authority to engage in transactions  
12 involving these credits, whether in local or international markets, under  
13 voluntary or compliance frameworks.  
14

15   **ARTICLE 4**  
16   **SALE OF CARBON CREDITS**  
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19           **SECTION 12. Sale in Voluntary Carbon Markets.** This section provides legal  
20 certainty and facilitate market access for carbon credits generated by private entities  
21 and indigenous communities. The following aspects are hereby defined:  
22

- 23          a) **Liberty to Transact.** Owners of carbon credits, as defined under the carbon  
24 rights and transfer provisions of this Act, are hereby granted the unrestricted  
25 right to sell, trade, or transfer said carbon credits in both local and international  
26 voluntary carbon markets, or to buyers operating under voluntary carbon  
27 market frameworks. This right includes entering into agreements with buyers,  
28 brokers, and other market participants without undue interference.  
29
- 30          b) **Compliance with Market Standards:** All transactions involving the sale of carbon  
31 credits must comply with the standards and requirements of the respective  
32 voluntary carbon markets. This includes adherence to certification, validation,  
33 and verification processes recognized by reputable international voluntary  
34 carbon market standards.  
35
- 36          c) **Benefit-Sharing Agreements:** Transactions must honor existing benefit-sharing  
37 agreements with local communities, indigenous peoples, and other  
38 stakeholders. Sellers must ensure that the benefits derived from the sale of  
39 carbon credits are distributed equitably and in accordance with previously  
40 established agreements.  
41
- 42          d) **Penalties for Double Selling or False Claims:** Any individual or entity found  
43 guilty of double selling carbon credits or making false claims regarding the  
44 carbon credits shall be subject to penalties and potential criminal charges as  
45 per the relevant laws. The Climate Change Commission (CCC) shall have the

1 authority to investigate and enforce these penalties to maintain the integrity of  
2 the carbon market.

3  
4 **SECTION 13. *Sale and Transfer of Credits Under the Paris Agreement Article***  
5 **6. Carbon project developers may collaborate with the government to sell carbon**  
6 **credits under the Paris Agreement, specifically through Article 6 mechanisms. These**  
7 **mechanisms include Internationally Transferred Mitigation Outcomes (ITMOs) under**  
8 **Article 6.2 and the Sustainable Development Mechanism (SDM) under Article 6.4.**

9  
10  
11 **ARTICLE 5**  
12 **ROLE OF GOVERNMENT AGENCIES**

13  
14 **SECTION 14. *Lead Agency - Mandate to the Climate Change Commission***  
15 **(CCC). The Climate Change Commission (CCC) is hereby mandated to establish the**  
16 **necessary protocols, procedures, and systems to effectively implement the**  
17 **mechanisms for ITMOs and other Article 6 transactions, including:**

- 18  
19 a) ***Coordination of Mitigation Outcomes:*** The CCC shall serve as the lead agency  
20 for coordinating and consolidating mitigation outcomes from various sectors,  
21 including agriculture, waste, industry, transport, forestry, and energy. This  
22 integrated approach ensures a comprehensive and unified national climate  
23 action and reporting framework.
- 24  
25 b) ***Monitoring of GHG Emissions Mitigation Outcomes Under the Nationally-***  
26 ***determined Contribution (NDC):*** The CCC shall establish a comprehensive  
27 Monitoring, Reporting, and Verification (MRV) system to dynamically adjust the  
28 Nationally Determined Contributions (NDC) mitigation outcomes. This system  
29 shall ensure accurate and transparent accounting of national climate actions  
30 and compliance with international carbon market standards.
- 31  
32 c) ***System for Issuance of Letter of Authority (LoA):*** The CCC shall be responsible  
33 for issuing Letters of Authority (LoA) to project developers seeking to engage  
34 in ITMOs. This LoA shall serve as official government approval for the transfer  
35 of carbon credits under Article 6 mechanisms, ensuring compliance with  
36 national and international regulations.
- 37  
38 d) ***System for Corresponding Adjustments:*** The CCC shall establish a system for  
39 making corresponding adjustments to the national greenhouse gas inventory  
40 and mitigation outcomes to reflect the transfer of ITMOs. This system shall  
41 prevent double-counting of emission reductions and ensure the integrity of the  
42 country's NDC commitments. Carbon credits based on carbon rights granted  
43 by the government to tenure holders for lands of the public domain, as well as  
44 those generated in public lands and ancestral domain lands, shall not be



1 claimed by the government as part of its NDC accomplishment or must be  
2 removed from government accounts. Such credits must be excluded from  
3 government accounts to prevent double-counting and ensure they remain  
4 available for market transactions. This provision aims to uphold the integrity of  
5 private and indigenous carbon projects and their contributions to global climate  
6 mitigation efforts.

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- 8 e) *Coordination for NDC Targets*: The CCC shall be responsible for coordinating  
9 with relevant agencies to ensure that NDC targets are met even as project  
10 developers are entitled to sell ITMOs to other countries. The CCC shall develop  
11 a mitigation strategy for the government to deliver mitigation action to meet  
12 NDC targets, such as through conservation and restoration efforts in the  
13 forestry sector, or investments in GHG emissions mitigation in the waste sector.  
14 This mandate ensures that the government fulfills its NDC commitments while  
15 allowing the private sector to engage in international carbon markets.

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17 **SECTION 15. Mandates to the Department of Environment and Natural**  
18 **Resources (DENR).** The DENR is provided the following mandates:

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- 20 a) *Monitoring and Reporting*: The DENR is mandated to work with the CCC to  
21 monitor and report mitigation outcomes in the forestry, waste, and industry  
22 sectors. The DENR shall implement conservation, restoration, and waste  
23 management practices that contribute to GHG emission reductions and ensure  
24 these are accurately accounted for in the national climate action framework.
- 25 b) *Baseline Development for Carbon Stock*: The DENR is required to develop  
26 carbon stock baselines to reduce upfront costs for project developers and  
27 facilitate project registration. This includes establishing a 10-year historical  
28 deforestation or forest degradation baseline for areas suitable for carbon  
29 forestry projects. The provision aims to standardize and provide scientifically  
30 robust data to support carbon sequestration projects.
- 31 c) *Government Responsibility for Carbon Stock Maintenance*: The DENR shall  
32 ensure the government assumes responsibility for maintaining carbon stocks  
33 upon the expiration of tenurial instruments. This responsibility includes  
34 protecting and ensuring carbon stock is maintained or increased upon the  
35 return of the land to the government, given the 25-year renewable period of  
36 tenurial instruments. This provision aims to ensure the long-term sustainability  
37 and carbon sequestration benefits of forestry projects beyond the tenure period.

38 **SECTION 16. Mandates to Other Relevant Agencies.** The following agencies  
39 are also provided the following mandates:

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- 41 a) *Department of Agriculture (DA)*: The DA is mandated to collaborate with the  
42 CCC to monitor and report mitigation outcomes in the agriculture sector. The

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DA shall implement and oversee agricultural practices that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework.

- b) *Department of Energy (DOE)*: The DOE is mandated to coordinate with the CCC to monitor and report mitigation outcomes in the energy sector. The DOE shall implement and oversee energy efficiency and renewable energy projects that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework.
- c) *Department of Transportation (DOTr)*: The DOTr is mandated to collaborate with the CCC to monitor and report mitigation outcomes in the transport sector. The DOTr shall implement and oversee transportation initiatives that contribute to GHG emission reductions and ensure these are accurately accounted for in the national climate action framework.

**ARTICLE 6  
INCENTIVES TO PROJECT DEVELOPERS**

**SECTION 17. *Tax Incentives for Carbon Project Developers.*** The following incentives shall be provided to project developers:

- a) *Tax Deductibility of Expenses*: All expenses incurred by carbon project developers related to the registration of their projects in recognized carbon certification programs shall be 100% deductible from their taxable income. This includes, but is not limited to, costs associated with project validation, verification, monitoring, reporting, and any other expenses directly related to the certification process.
- b) *Tax Incentives on Sale of Credits*: The sale of carbon credits shall be exempt from all forms of taxation. This exemption includes, but is not limited to, income tax, value-added tax (VAT), and any other applicable taxes on the income derived from the sale or transfer of carbon credits.

**ARTICLE 7  
Miscellaneous Provisions**

**SECTION 18. *Appropriations.*** - The amount necessary for the initial implementation of this Act shall be charged against the current year's appropriations of the department/ agencies concerned. Thereafter, such sums as may be necessary for the continued implementation of this Act shall be included in the annual General Appropriations Act.

1           **SECTION 19. *Annual Report to Congress.*** – The implementing agencies shall  
2 report to Congress on their progress in carrying out the provisions of this Act for each  
3 fiscal year. The reports shall be consolidated by the CCC for presentation to the  
4 appropriate Committee in Congress at a meeting called for the purpose.

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6           **SECTION 20. *Allocation of funds.*** – Pursuant to Article 4 of this Act, the  
7 aforementioned agencies shall allocate from their annual appropriations the adequate  
8 funds for the implementation of their mandates, including training and capacity  
9 building, under this Act, subject to support under the mechanism of the Means of  
10 Implementation of the Paris Agreement.

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12           **SECTION 21. *Implementing Rules and Regulations.*** - The CCC, in coordination  
13 with relevant agencies, shall draft and issue implementing rules and regulations  
14 necessary, in coordination with other relevant and appropriate government agencies  
15 within sixty (60) days after its approval.

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17           **SECTION 22. *Separability Clause.*** - If for any reason any section or provision  
18 of this Act is declared by the Court as unconstitutional or invalid, the other sections or  
19 provisions thereof shall not be affected thereby.

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21           **SECTION 23. *Repealing Clause.*** - All laws, ordinances, rules, and regulations,  
22 and other issuances or parts thereof, which are inconsistent with this Act, are hereby  
23 repealed or modified accordingly.

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25           **SECTION 24. *Effectivity.*** - This Act shall take effect fifteen (15) days after its  
26 publication in the Official Gazette or in a newspaper of general circulation.