

Pagbilao 3 Coal Power Station (Existing Units 1 & 2, Expansion Unit 3) Philippines



One of the Largest IPPs and Biggest Polluters in the Philippines Investors: Marubeni (50%) and TEPCO (50%)



1. Background and Marubeni Connection

Existing power stations (Units 1 and 2, 367.5 MW each) are owned by TeaM Energy Corporation (TEC), a joint venture of Marubeni Corporation and Tokyo Electric Power Company (TEPCO).¹⁾ They invested 50% each to form this as one of the largest independent power producers (IPPs) in the Philippines. In November 2006, these Japanese companies acquired the entire equity interest²⁾ and projects which had belonged to Mirant Asia Pacific Limited, the largest IPP in the Philippines at the time. Since 2007, they have been involved as a project operating company and have supplied electricity to the National Power Corporation (NPC). A Power Purchase Agreement with NPC will expire in 2025.

TeaM Energy owns and operates 3 power plants (Pagbilao/coal-fired, Sual/coal-fired, and Ilijan/gas) and accounts for approximately 10% of power properties in the Philippines.

Expansion Unit 3 was built next to existing Units 1 and 2, and started commercial operation on March 27, 2018. This project was undertaken by Pagbilao Energy Corporation (PEC), a joint venture between TeaM Energy Corporation (50% share of investment) and local power producer Therma Power Inc., a subsidiary of

Aboitiz Power Corporation.

For TeaM to acquire its interest in Units 1 and 2, the Japan Bank for International Cooperation (JBIC) and private banks (SMBC, Mizuho, etc.) provided loans of up to \$2.7 billion USD. Mitsubishi Hitachi Power Systems (MHPS), in collaboration with Daelim, has been awarded an Engineering, Procurement, and Construction (EPC) contract for Unit 3.

2. ESG Concerns

Environmental and social concerns: Impacts on marine ecosystem and fishermen's livelihood

The livelihoods of many small-scale fishermen have deteriorated due to lower fish catches since the construction and operational start of Units 1 and 2. They have reported various problems, such as restrictions of fishing grounds, destruction of coral reefs due to thermal discharge water, and the spread of coal dust on the sea surface. Local fishermen launched an opposition movement during construction period, but they have still not received appropriate compensation or livelihood restoration for their losses. They are concerned that the construction of Unit 3 could further exacerbate damage to the marine ecosystem and fish catches.³⁾

**Environmental pollution and health impact concerns:
Insufficient environmental mitigation**

An observable rise in the number of cardiorespiratory-related diseases has been reported since Units 1 and 2 started operation. In fact, residents living near the plants have been exposed to dust from the coal stockpile site for more than 20 years. When the westerlies blow, black dust lands on residents’ roofs. Some dustproof nets have been installed, but in the absence of additional mitigation measures (e.g., a rooftop cover), coal is virtually exposed in an open field. The stockpile site for Unit 3 is under similar conditions. Locals are concerned about further health impacts once the expansion starts operating.

Environmental and social concerns: Complaint to IFC’s CAO

This project is included in a collective complaint (October 2017) to the Compliance Advisor Ombudsman (CAO) of the International Finance Corporation (IFC) regarding the IFC’s involvement in a commercial bank that has a financial link with the Aboitiz Group. Local community members supported by NGOs⁴⁾ listed the harms in their complaint, including environmental destruction and impacts on fishermen. The assessment of the case is underway (as of March 2018).⁵⁾



- 1) JERA Co., established by TEPCO and Chubu Electric Power Co., succeeded to this whole business from TEPCO in 2016.
- 2) http://marubeni.co.jp/dbps_data/news/2006/061211e.html?mode=print
- 3) Please refer to the fishermen’s report in the Environmental Investigation Report by the Center for Environmental Concerns - Philippines (CEC). The environmental investigation was conducted in February 2018.
- 4) Philippine Movement for Climate Justice (PM CJ), IDI and BIC.
- 5) More details about the case can be found at http://www.cao-ombudsman.org/cases/case_detail.aspx?id=1266.
- 6) Capacity of Pagbilao 3: Marubeni release indicates it as 388 MW (<https://www.marubeni.com/en/news/2014/release/00023.html>), and media as 420 MW.

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Project Overview

	Units 1 and 2	Unit 3
Capacity	735 megawatts (367.5 MW×2)	388 megawatts (420MW) ⁶⁾
Technology	Sub-critical (Sub-C)	
Fuel	Bituminous	Sub-bituminous
Implementation	--	Pagbilao Energy Corporation
Operator	TeaM Energy	Pagbilao Energy Corporation (TeaM Energy + Therma Power)
Schedule	Unit 1: Operation began June 1996. Unit 2: Operation began August 1996.	Construction completed August 2017, commercial operation began March 2018.
Location	Grande Island, Pagbilao, Quezon Province, the Philippines	
Total Cost	--	976 million USD