

Philippines

Climate Tech Landscape Research Brief
Country Snapshot



CLIMATE TECH
INVESTMENT
NETWORK





Climate Tech Investment Network (CTIN) provides investment syndication support services to local angel investment networks through a deal-flow centric platform to catalyze early-stage capital into climate tech startups in South and Southeast Asia.

This Research brief was made in collaboration with



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1 | COUNTRY OVERVIEW

High Level Economic Stats

GDP:

\$361.489 Bn
(2020)
(Source: World Bank)

GDP per Capita:

\$3298.83
(2020)
(Source: World Bank)

Capital Controls^{i,ii}:

- Bilateral Investment and Taxation treaties: With **37 out of 190 countries** (Source: US Department of State)
- World Bank Ease of Doing Business Ranking: **95 out of 190 countries**
- Philippines has substantially improved its business climate in 2020: starting a business is now easier due to the abolishment of the minimum capital requirement for domestic companies; dealing with construction permits has been improved (the process for obtaining an occupancy certificate has been standardized); and minority investor protection has also been strengthened
- FDIs are incentivized in the following sectors: manufacturing (e.g. agro-processing); agriculture, fishery, and forestry; integrated circuit design, creative industries, mass housing; infrastructure and logistics (e.g. airports, seaports, and PPP projects); energy (development of energy sources, power generation plants, and ancillary services); innovation drivers (e.g. fabrication laboratories); and environment (e.g. climate change-related projects).
- Philippines is the second-largest impact investing market in Southeast Asia by amount of capital deployed

Inflation, consumer prices:

2.635% (2020) (Source: World Bank)

Sovereign Risk:

BBB+ Outlook : Stable (Source: S&P)
Baa2, Outlook: Stable (Source: Moody's)

FDI Inflows (BoP, current in US\$):

2.301% of GDP) (2019) (Source: World Bank)

Foreign Exchange Resilience (against US\$)

1.35% CAGR over 10 years

Geographic and Demographic Stats

Population:



110 million

(Source: CIA World Factbook)

Youth% (15-24 years):



19.16%

(Source: CIA World Factbook)

Major Cities/Hubs:



Manila (Capital), Davao, Cebu City, Zamboanga, Antipolo, Cagayan de Oro City

(Source: CIA World Factbook)

Youth Unemployment (15-24 years):



6.8%, Ranking, 156 out of 190

(Source: CIA World Factbook)

Languages Spoken:



Filipino and English (Official), Tagalog, Cebuano, Ilocano, Hiligaynon or Ilonggo, Bicol, Waray, Pampango, and Pangasinan

(Source: CIA World Factbook)

Population completed tertiary education (25+ years):



26.586% (2013)

(Source: World Bank)

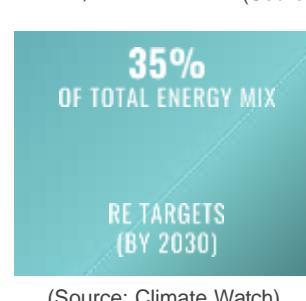
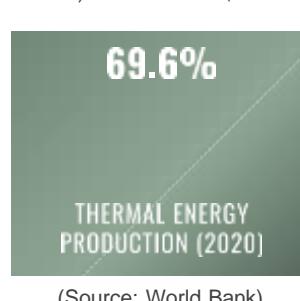
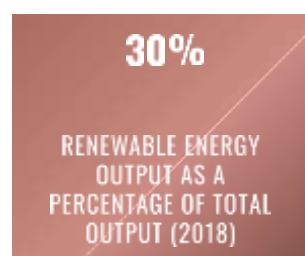
2 | Overview of Climate Change in Philippines

Introduction

In the Philippines, the agricultural sector is especially vulnerable to climate change impacts with the sector contributing 14% of GDP and employing a third of the population. Both increased flooding and the increased likelihood of droughts could impact agricultural land, and this could contribute towards decreased agricultural productivity. Without effective adaptation and disaster risk focused innovation and solutions, climate change is likely to exacerbate high existing levels of income and wealth inequality and therefore poverty alleviation progress will be slowedⁱⁱⁱ.

The Philippines has a target of 75% reduction in GHG Emissions out of which 2.71% is unconditional and 72.29% is conditional against a 'business-as-usual' scenario.

High Level Climate Change Stats



3 | Climate change and startup policy overview

Climate change, Startups and Investments related Policies and Regulations ^{iii, iv}

Climate Change Policies & Government Initiatives

2009	2010	2011	2012	2014	2017	2019	2021
Philippines Climate Change Act and the creation of Climate Change Commission	National Framework Strategy on Climate Change (2010-2022)	National Disaster Risk Reduction Management Framework	Climate Change Act amended and People's Survival Fund set up to support adaptation programs; National Climate Change Action Plan (2011-2028)	Second National Communication to UNFCCC; Executive Order institutionalizing Philippine Greenhouse Gas inventory management)	Ratification of Paris Agreement	Energy Efficiency and Conservation Act	Submission of Nationally Determined Contributions to UNFCCC

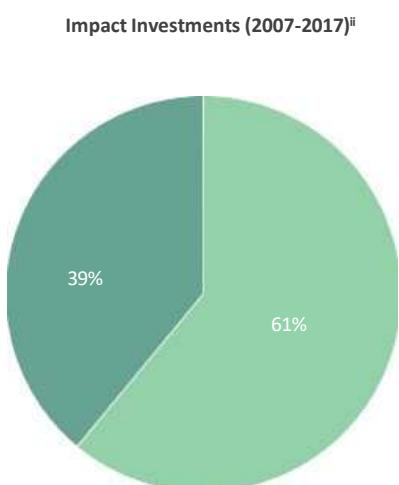
Startup/ Investment Policies & Government Initiatives

2015	2016	2017	2019	2020
Philippine roadmap for Digital Startups	Philippine E-Commerce Roadmap established by DTI in 2016 aims for e-commerce to account for 40% to 50% of the country's GDP by 2022	Startup Research Grant Program	Innovative Startup Act 2019; Revised Corporation Code; Comprehensive Tax Reform Program; Startup Assistance Program	Investment Priorities Plan

4 | Startup Investment Overview

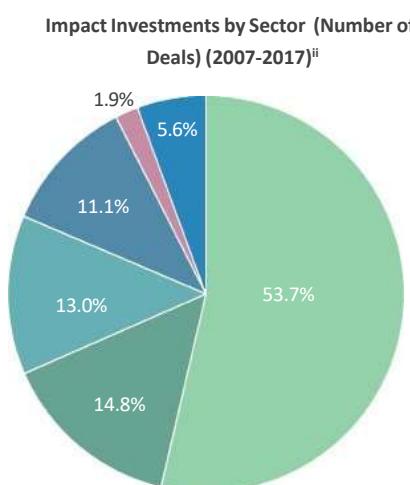
Note: Due to lack of granular data focused on Climate-tech innovations alone, the deal information in this section is focused on Impact (that includes Social and Environmental innovations and investments)

Source of Investment



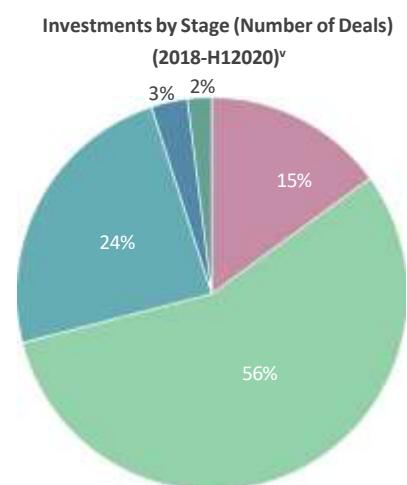
- Impact Investors (local)
- Impact Investors (without local presence)

Investment by Sector



- Sector
- Financial Services
- Workforce Development
- Agriculture
- Energy
- Healthcare
- Others

Investment by Stage



- Stage
- Pre-Seed
- Seed
- Series A
- Series B & C
- Mature & Others

Startup investments (sector agnostic) (Between 2018-H12020) ^v	Number of Deals
Incubators/ Accelerators	19
Corporate VC	9

5 | Key Climate Stakeholder Profiles

Key Investors

Investor	Classification	Investment Sector
Asian Development Bank	Investment Bank	Impact in general
ICCP Venture Partners	VC	Sector Agnostic
Manila Angel Investors Network	Angels	Sector Agnostic
Shatter Tech Venture Holdings	Family office	Sector Agnostic
BetterLabs Ventures	VC	Impact in General
Kickstart Ventures	VC	Sector Agnostic
Sirona Capital	VC	Sector Agnostic
First Asia Venture Capital	VC	Impact in General
GIC	Government	Sector Agnostic
Innovation Endeavours	VC	Impact in General
k50	VC	Impact in General

Key ESOs

ESO	Classification	Sector/Focus area
New Energy Nexus	Accelerator	Clean Energy
PhilDev Foundation	Hybrid	Impact in General
Villgro Philippines	Hybrid	Impact in General
Ideaspace	Accelerator	Sector Agnostic
Makesense Academy	Hybrid	Impact in general
xchange	Incubator	Impact in general
AIM-Dado Banatao	Incubator	Sector Agnostic
Impact Hub Manila	Incubator	Sector Agnostic
QBo Innovation Hub	Incubator	Sector Agnostic
TIP NITRO	Incubator	Sector Agnostic
SINERGY by Silliman University	Incubator	Sector Agnostic

Key Corporates

Name	Type/ Classification
Ayala Corporation	Ayala Corporation has a dedicated sustainability division focused on integrating sustainable practices within its business operations. Kickstart Ventures, one of the earliest local VCs in the country was started by an Ayala Corp. subsidiary, Globe Telecom
JG Summit Holdings	JG Summit Holdings is present in various sectors including FMCG, airline, real estate, energy, finance industries and is committed to sustainability through various sustainability programs and national campaigns including Climate Action Plan as well as the Resource Efficiency and Circularity plan
First Pacific	First Pacific's principal businesses are in consumer food products, telecommunications, infrastructure and natural resources. First Pacific set up IdeaSpace Foundation to support innovation, tech development and entrepreneurship in the Philippines while strongly focused on sustainability within its internal operations.

Startup Profiles

Company	Year Set-Up	Sector	Sub-Sector	Sub-segment
	2018	Climate Change	Energy access	Energy Access platform



Exora Philippines (Axess), a platform where customers can find the best retail electricity supplier for their specific energy needs.

Business Model: Through Exora's partners (retail electricity suppliers and system integrators), customers can get access to the energy market to save on electricity and improve on energy efficiency.

Innovation: A platform that can be accessed by electricity consumers to help them find the best retail electricity supplier. Also offers a real-time electricity monitoring system.

Last Funding Round: Unknown, Ongoing funding

Investors: Bootstrapped

Company	Year Set-Up	Sector	Sub-Sector	Sub-segment
	2020	Circular Economy	Waste to Value	Waste Management (Plastic & Non-Plastic)



Trash Panda is an on-demand recoverable waste collection and coaching app.

Business Model: Fees cover the cost of collection and transport of recyclable items, which are sent directly to recyclers under the Philippine Alliance for Recycling and Materials Sustainability. Trash Panda's fleet of light trucks collect and transport items that are clean, dry, and free from oil, food/beverage residue, and strong smells.

Innovation: Through the service, users can book the collection of recyclable items (like plastics, paper and cardboard, metals, and used beverage cartons), track the collector's estimated time of arrival, and earn from the sale of their items directly to recyclers. An impact tracker feature helps users view the total weight of the waste they had turned over to Trash Panda collectors for recycling and recovery.

Last Funding Round: Unknown

Investors: Unknown

Climate Tech Deals

Start-up	Sub Segment	Detail	Funding Round	Funding Amount	Year	Investor
Fortuna Cools	Waste Management (Non-plastics), Agriculture and Food	Agritech startup making sustainable coolers out of coconut fibre.	Seed	Undisclosed	2021	ADB Ventures, Katapult Ocean Fund, Pasudeco, Manila Angel Investors Network, Nardo Holdings, She1k
Hiraya Water	Water	A smart water management company that offers innovative solutions for developing countries.	Unknown	Undisclosed	2018	Ideaspace Foundation
Heat Stress Analyzer	Agriculture and Food	IoT based solutions that detect vital Agri-data weather parameters	Seed	\$150,000	2015	Undisclosed

Local Angel Investor Quotes

Priya Thachadi

CEO of Villgro Philippines

"Responding to the climate crisis with urgency is of utmost importance. In the Philippines, we are seeing an increasing number of market-based models to address climate change. More and more Entrepreneurs are accepting the need to apply circularity no matter what kind of business you run. We are very excited about the potential of climate tech deals we are seeing on the ground. We expect to see many of these models scale in the coming years and are taking some early bets."

6 | Key Takeaways

1 Strong government push to improve ease of doing business and to encourage FDI in various sectors

Philippines has taken major strides to improve the ease of doing business environment for both domestic and international investors. This started in 2020 with the abolition of the minimum capital requirement for domestic companies; dealing with construction permits has been improved and minority investor protection has also been strengthened. Furthermore, the country is encouraging FDI inflows in various sectors, especially in energy, innovation and environment.

2 High climate risk index ranking, warranting directed support towards more climate tech innovations

The Philippines ranks 4th on the Climate Risk Index. With a high dependence on the agricultural sector, increased flooding and the increased likelihood of droughts could impact agricultural land and this could contribute towards decreased agricultural productivity. Without effective adaptation and disaster risk reduction, climate change is likely to exacerbate high existing levels of income and wealth inequality; poverty alleviation progress will be slowed.

3 Strong government vision on climate change targets needs backing from climate tech focused investments

The climate change targets set by the Philippines are very ambitious, and this intent needs to be backed up by significant climate action-focused investment. The Government has pledged a reduction of 72.3% of GHGs (conditional) by 2030 as part of their published NDCs. There has already been significant progress made especially on the renewable energy side with many corporates involved in building Philippines' renewable energy capacity with only 5% additional capacity required to meet its renewable energy targets for 2030.

4 Government initiatives for tech-startups need to be supplemented by dedicated ecosystem creation for climate tech startups

The Government has taken big steps toward building the startup ecosystem in the Philippines, especially over the last 6 years. The support is focused on digital and e-commerce startups as the government has charted a road map for these specific sectors. There is further support given to startups through the launch of the startup research grant program and the startup assistance program. This provides the right platform to encourage the growth of the startup ecosystem

5 Many local corporates actively participate in startup-support initiatives, more so in the impact space

Some of the top corporations in hospitality, real estate, consumer products, aviation, energy, etc have a strong focus on sustainability and on building startups. These corporations have laid out internal programs that are focused on overall sustainability best practices and climate action. The same corporates have gone on to set up VCs and also fund and support various ESOs that are in the impact space in the Philippines.

Endnotes

(All data as accessed on 13th September 2021)

- i. <https://santandertrade.com/en/portal/establish-overseas/philippines/foreign-investment>
- ii. https://thegiin.org/assets/Philippines_GIIN_SEAL_report_webfile.pdf
- iii. <https://www.adb.org/sites/default/files/publication/722241/climate-risk-country-profile-philippines.pdf>
- iv. <https://www.jumpstartmag.com/5-government-backed-startup-programs-in-the-philippines/>
- v. <https://www.foxfordcapital.com/philippine-venture-capital-report-2020>