

 PHILIPPINE RATING SERVICES CORPORATION	CREDIT RATING REPORT
	ENERGY DEVELOPMENT CORPORATION

Date: October 29, 2025
Analyst: Fatima Elaine R. Magpantay-Pascual

5F ALGO Center
162 Leviste St., Salcedo Village
Makati City, Metro Manila
1227 PHILIPPINES

(632)8812-3210
(632)8812-3215

MONITORING

	Amount	Maturity Date (Original Tenor)	Interest Rate	Assigned Rating and Outlook
Series B Fixed Rate ASEAN Green Bonds	₱2.5 billion	June 25, 2026 (5 years)	3.7305%	PRS Aaa Stable Outlook
Series C Fixed Rate ASEAN Green Bonds	₱3.0 billion	May 27, 2027 (3 years)	6.7478%	
Series D Fixed Rate ASEAN Green Bonds	₱3.5 billion	May 27, 2029 (5 years)	6.8873%	
Series E Fixed Rate ASEAN Green Bonds	₱3.5 billion	May 27, 2031 (7 years)	7.0626%	
Total Outstanding Bonds: ₱12.5 billion				

Rating Definition:

Obligations rated **PRS Aaa** are of the highest quality with minimal credit risk. The obligor's capacity to meet its financial commitment on the obligation is extremely strong. **PRS Aaa** is the highest rating assigned by PhilRatings.

Outlook Definition:

An Outlook is an indication as to the possible direction of any rating change within a one-year period and serves as a further refinement to the assigned credit rating for the guidance of investors, regulators and the general public. A **Stable Outlook** is assigned when a rating is likely to be maintained or to remain unchanged in the next 12 months.

RATIONALE

1. Leading position as a pure renewable energy (RE) company

Energy Development Corporation (EDC; the Company) continued to be the country's largest pure RE company, operating 1,095 megawatts (MW) of geothermal, 150 MW of wind, 132 MW of hydroelectric, and 12 MW of solar energy as of end-March 2025. EDC's total installed capacity of 1,389 MW accounted for 15% of the country's aggregate installed capacity from renewable sources in 2024.

Geothermal continues to be the core business of the Company. With its 1,095 MW capacity, EDC is considered the biggest geothermal energy generator in the Philippines. In 2024, the Company's geothermal capacity accounted for 56% of the country's total installed geothermal capacity (1,952 MW). Globally, the Philippines is one of the top geothermal producers next to the United States (U.S.) and Indonesia.

To expand its total capacity, the Company aims to deliver more projects and improve efficiencies in its operations. EDC's growth projects include a mix of brownfield developments, which expand existing geothermal plants, and greenfield projects, which involve developing new energy facility in an unused or underutilized land.

Several of the Company's growth projects reached significant milestones over the past year. Two expansion projects under the BacMan facility, the Palayan Bayan Binary Project and the Tanawon Geothermal Project, secured provisional authority to operate and achieved commercial operations in March 2025 and August 2025, respectively. Additionally, one of the Company's three ongoing BESS projects has achieved commercial operations in September 2025. The two other BESS projects are mechanically complete, with commercial operations expected to begin within the fourth quarter of 2025 (4Q2025).

2. Strong parent company support and highly experienced management team

First Gen Corporation (FGen) remains as EDC's controlling shareholder. As of end-June 2025, FGen's total voting and economic interests in EDC were at 65.0% and 45.7%, respectively. FGen is one of the largest clean and renewable Independent Power Producers (IPP) in the country, with a total installed capacity of 3,639 MW as of end-2024. This was equivalent to about 12.3% of the Philippines' aggregate installed power capacity of 29,706 MW in 2024. As such, FGen maintained its position as the third largest domestic power producer in terms of generating capacity and market share in 2024. In terms of RE generation, FGen reportedly had the highest RE generation at 7,631 GWh in 2024, representing approximately 27.1% of the country's RE generation which totaled 28,193 GWh.

FGen's net income in 2024 amounted to \$337.8 million, lower than its \$449.3 million bottom line in 2023. The decline was attributed to the combined impact of lower revenues, higher operating expenses given extensive drilling operations, and higher interest expense. In the first six months of 2025 (6M2025), FGen's consolidated revenues declined by 5.1% to \$1.2 billion. Despite this, FGen recorded a 3.9% growth in its bottom line, from \$202 million in 6M2024 to \$209 million in 6M2025. Such was due to controlled operating expenses and the non-recurring income recognized from insurance claims, as well as the favorable adjustment on the related lease liability with BW Batangas for the charter hire fee. FGen's consolidated assets stood at \$6.9 billion as of end-June 2025.

EDC also benefits from having a highly experienced management team with decades of experience in geothermal operations. EDC's management also holds key positions within the FGen Group.

Mr. Federico R. Lopez is the Chairman of the Board of EDC. He also serves as the Chairman of the publicly-listed companies Lopez Holdings Corporation, First Philippine Holdings Corporation (FPH), and FGen. Mr. Lopez has been the Chairman of EDC since 2010 and is known for leading the Lopez Group to become a leader in energy security, sustainability, and clean technology for natural gas and RE. Mr. Jerome H. Cainglet, the Company's President and Chief Operating Officer (COO), has been with the Lopez Group since 1990. He concurrently holds a Senior Vice President (SVP) position in FGen. Mr. Cainglet is also a Director, President, and COO of various EDC subsidiaries.

Mr. Francis Giles B. Puno is EDC's Vice Chairman and Chief Executive Officer (CEO). He has been a director of the Company since 2007. Mr. Puno is also the President and COO of FPH and FGen. He also serves as President of several FGen subsidiaries.

Mr. Erwin O. Avante, the Chief Financial Officer (CFO) of EDC, is also an SVP in FGen.

3. Healthy liquidity and cash flows

EDC consistently registered positive and healthy operating cash flows. In 2024, cash flows from operations amounted to ₱20.6 billion. This, however, was lower compared with the ₱25.0 billion recorded in 2023, attributed to the extensive drilling operations which started in 2024. In 6M2025, operating cash flows amounted to ₱7.9 billion. The benefits from the drilling program are expected to materialize by end-2025 or early 2026. The steam generation of the Company is also anticipated to go back to historical levels. This will result in improvements in cash flows as well as earnings moving forward.

The Company also maintained adequate liquidity, with a current ratio of 1.2x as of end-June 2025. Its cash and cash equivalent as of end-June 2025 stood at ₱13.1 billion, more than ample to cover its short-term debt obligations amounting to ₱11.6 billion.

4. Manageable capital structure

EDC's debt-to-equity (DE) ratio settled at 1.1x as of end-June 2025. This increased from 0.7x as of end-2023. The Company's total debt grew from ₱55.7 billion as of end-2023 to ₱90.4 billion as of end-June 2025, as the Company incurred additional debt to fund its growth projects and extensive drilling program. Nonetheless, in addition to leverage levels remaining manageable, EBITDA interest coverage ratio was more than sufficient at 4.9x as of end-June 2025. Debt service coverage ratio (DSCR) was also adequate at 1.5x.

The Company's DE ratio is seen to remain manageable going forward. This will be supported by the anticipated improvement in earnings and the plowback of such into operations.

5. Government's supportive policies in the RE sector

The Department of Energy (DOE) has implemented several RE programs to achieve the country's target of having an RE share of 35% in 2030 and 50% in 2040. Notable energy programs that have been implemented include: the lower Retail Competition Open Access (RCOA) threshold, the Green Energy Auction Program (GEAP), and the Green Energy Option Program (GEOP). Through these programs, EDC was able to engage with a broader range of customers and reduce its reliance on few big ones. As a result, the Company also generates a notable portion of its revenues from retail customers, primarily from RCOA and GEOP customers. First Philippine Industrial Park (FPIP), a special economic zone and part of the Lopez Group, along with FGen signed a landmark agreement under the

Retail Aggregation Program (RAP) in July 2025. Through this program, FGen will supply electricity sourced from RE to customers, comprising 21 facilities, within the industrial park. EDC, similarly, had contracts with RAP customers and intends to ramp up its engagement moving forward.

BUSINESS PROFILE

EDC is one of the largest vertically integrated geothermal developers in the world, operating from the steamfield up to the power plant. It has evolved into a leading pure RE company, with business interests in geothermal, wind, hydroelectric, and solar energy. It is involved from the exploration and development of RE sources, to its operation and utilization for electricity generation. As of end-March 2025, the Company had over 1,389 MW total installed capacity, which made up approximately 15% of the country's aggregate installed capacity from renewable sources (9,520 MW). Details on the power projects directly and indirectly operated by EDC are shown in Table 1.

Table 1. Power Generating Assets (as of end-March 31, 2025)

Contract Area	Project	Acquisition Method (Year)	Installed Capacity (MW)*	Minimum Energy OffTake (GWh/year)	Expiration of Offtake Agreement	Expiration of GRESC/ WESC/ SESC	
Geothermal							
Leyte Geothermal Project	Mahanagdong	Geo - integrated	198.1	N/A	2031 (GRSC) 2040 (PSAs)	2031	
	Upper Mahiao	Geo - integrated	107.6 ¹				
	Malitbog	Geo - integrated	155.1 ¹				
	Optimization	Geo - subsidiary	37.0				
	Tongonan	Geo - subsidiary	Bidding (2009)	123.0	N/A		
Mt. Apo Geothermal Business Facility	Mindanao I	Geo - integrated	54.2	N/A	2025 (PSAs)	2042	
	Mindanao II	Geo - integrated	54.2	N/A			
	Mindanao III		Developed / Constructed (2022)	3.7	N/A		N/A ²
Southern Negros Geothermal Project	Palinpinon I	Geo - subsidiary	112.0	N/A	2031 (GRSC) 2040 (PSAs)	2031	
	Palinpinon II	Geo - subsidiary	60 ³				
	Nasulo	Geo - integrated	Developed/Plant Transferred (2014)		49.4		2033 (PSA)
Bac-Man Geothermal	Bac-Man I	Geo - subsidiary	120	788	2026 (SSA)	2031	
	Bac-Man II	Geo - subsidiary	20.0	131	2037 (PSAs)		
Total Geothermal Capacity			1,095				
Hydroelectric Power							
Pantabangan/Masiway	Pantabangan-Masiway	Hydro	Acquisition (2008)	132	N/A	2024-2026 (PSAs) 2026-2027 (PSGFAs) 2028 (ASPA)	
		Hydro					
Wind Power							
Wind Business Facility	Burgos Wind	Wind	Developed / Constructed (2014)	150	N/A	2034 (REPA)	2034
Solar Power							
Solar Business Facility	Burgos Solar I	Solar	Developed / Constructed (2015)	4.2	N/A	2035 (REPA)	2039
	Burgos Solar II	Solar	Developed / Constructed (2016)	2.7	N/A	2036 (REPA)	
Solar Rooftop Project	Siklab	Solar	Developed / Constructed (2017)	5.2	N/A	2043 (SRLA)	2042
Total Solar				12.0			
Total Installed Capacity				1,389			

¹ Does not include Units (Upper Mahiao - Units 1 & 3; Malitbog - Unit 2) which were offline during ERC's technical inspection held in October 2024.

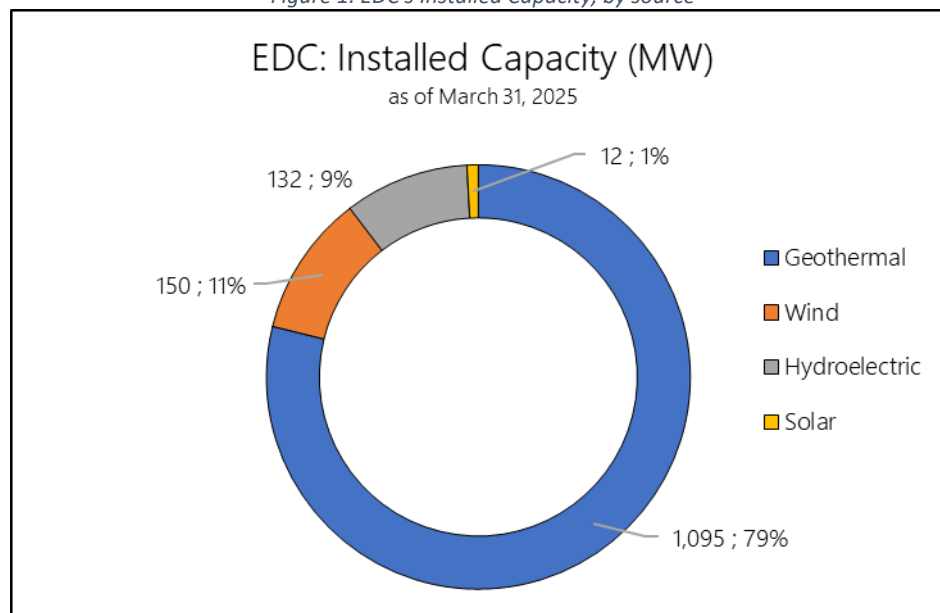
² Palinpinon II includes Sogongon 1, Sogongon 2 and Okoy 5 GPPs. PAO for Sogongon 1 & 2 was issued on October 29, 2024 while PAO for Okoy 5, integrated in Palinpinon-1 GPP PAO, was issued on October 29, 2024; does not include 20-MW Nasuji GPP (on preservation mode).

Geothermal projects continue to form the core of the Company's operations, representing approximately 79% of its total installed capacity. EDC is the largest producer of geothermal energy in the Philippines, with a combined geothermal capacity of 1,095 MW as of end-March 2025. This was lower compared to the 1,169 MW geothermal capacity in the previous review, as some units of Upper Mahiao and Malitbog

plants were offline during the Energy Regulatory Commission's (ERC) technical inspection in October 2024. Notwithstanding this, EDC continued to contribute the majority of the country's geothermal capacity, with a 56% share. Globally, the Philippines is one of the top geothermal producers next to the United States of America and Indonesia.

The Company's long-standing relationships and expertise spans the entire geothermal value chain, from geothermal energy exploration and development, reservoir engineering and management, engineering design and construction, to environmental management and energy research and development.

Figure 1. EDC's Installed Capacity, by source



Geothermal Power Plants

EDC has several geothermal projects lined up in the next five years. These projects are a combination of brownfield and greenfield project developments. Areas identified by the Company are listed in Table 2. Under the Binary Projects, EDC is pursuing the installation of binary technology to increase the output capacity of its existing geothermal plants.¹

Table 2. Geothermal Power Plants Projects

Project	Location	Estimated Additional Capacity (MW)	2024 Review Target Completion	Status / Target completion
Palayan Bayan Binary Project	Bacman	28.9	4Q2023 ¹	1Q2025
Mahanagdong Binary Project	Leyte	28	4Q2024	4Q2025
Bago Binary Project	Northern Negros	5.6	3Q2024	4Q2026
Tanawon Geothermal Project	Bacman	21.6	4Q2024	3Q2025
Botong Rangas Geothermal Project	Sorsogon	~20	NA	2028

EDC has three ongoing binary projects: Palayan Bayan, Mahanagdong, and Bago Binary.

¹ Binary cycle is one of the three geothermal power plant technologies used to convert hydrothermal fluids to electricity. Binary cycle power plants transfer the heat from geothermal hot water to another liquid. The heat causes the second liquid to turn to steam, which is then used to drive the turbines that generate electricity.

(Source: <https://www.eia.gov/energyexplained/geothermal/geothermal-power-plants.php>)

In July 2024, the 28.9 MW Palayan Bayan, which is an expansion of the existing BacMan facility in Albay, was inaugurated. Its commercial operations commenced in March 2025, and it is currently supplying electricity to electric cooperatives (ECs), distribution utilities (DUs), and RCOA and GEOP customers. Palayan Bayan was initially set for completion by 4Q2024.

The Mahanagdong Binary Project, a project that will supplement the Company's four existing geothermal power plants in Leyte, is currently under the commissioning and testing stage. It is expected to begin its commercial operations in 4Q2025.

The Bago Binary Project (Bago Binary) forms part of the broader Bago Integrated Project in Northern Negros. The Bago Integrated Project is comprised of the 5.6 MW Bago Binary and the 30 MWh BESS. In 4Q2024, EDC achieved Bago Binary's mechanical completion. The plant's Provisional Certificate of Approval to Connect, however, was put on hold due to equipment-related issues and corrosion encountered during the plant's commissioning phase. While rectification is already underway, its commercial operations date (COD) was pushed back to 4Q2026. (Updates on EDC's BESS project will be discussed in a separate section of this report.)

These aforementioned binary plants are expected to contribute to the Company's goal of maximizing the steam production of its existing assets. PhilRatings noted, however, that the project timelines have undergone revisions from the initially planned schedule.

The Tanawon Project is also an expansion of the BacMan facility. It involves the construction of an additional 21.6 MW geothermal power plant. The Tanawon Project was inaugurated on August 1, 2025, and achieved commercial operations with the securing of the Provisional Authority to Operate (PAO) on August 18, 2025. This was also rescheduled from the initial target operational date of 4Q2024.

Botong-Rangas Geothermal Project (Botong-Rangas Project) is the Company's latest potential geothermal source. It is situated within the Botong and Rangas sectors of the BacMan facility. In April 2025, the DOE issued the system impact study endorsement for this project.²

EDC also pursued the Leyte Steam Exchange (LeytEx) project. This project was an optimization scheme employed by the Company to adapt to the changing reservoir conditions of the Tongonan geothermal field. It was one of the management's alternatives for expansion drilling by capitalizing generation uplift potential from existing production sectors while also preserving resource sustainability. The LeytEx project was commissioned in phases, starting in 2021 until May 2022. The total value delivery of LeytEx Project is 46MW since its commissioning in 2022. The pipelines are continuously being used to sustain the production of the cut-in wells and provide flexibility in the Company's steam supply.

EDC also continues to look out for other potential geothermal projects to expand its geothermal power capacity, both in the domestic and international space. Locally, EDC also holds Geothermal Service Contracts (GSC)³ for the areas in Table 3.⁴

² <https://business.inquirer.net/526661/doe-clears-5-renewable-energy-projects-for-grid-impact-study>

³ A GSC grants a company the right to explore, develop, and utilize geothermal resources within a specific area.

⁴ <https://www.thinkgeoenergy.com/edc-announces-five-year-geothermal-capacity-expansion-plan/>

Table 3. Geothermal Service Contract Areas/Projects

Project	Location
Amacan	Mindanao
Mount Zion	Mindanao
Mainit-Sadanga	Mountain Province
Buguias-Tinoc	Benguet/Ifugao
Sembrano	Rizal/Laguna

The Amacan Geothermal Power Project (Amacan Project) is a greenfield geothermal project located in the province of Davao de Oro. The project is expected to provide an additional capacity of approximately 70 MW and is a priority project of the Company. In February 2024, the Amacan Project experienced a large-scale rain-induced landslide. As a result, the rig mobilization and exploration drilling, which was initially scheduled within 2024, was pushed back to 4Q2025. The Company focused instead on the rehabilitation of the road and implementation of slope protection. In an interview with Mr. Puno, EDC's President, he shared that the exploration drilling in Amacan is expected to start in November 2025.⁵

Mt. Zion 2 Geothermal Power Project is located in the provinces of North Cotabato and Davao del Sur, close to the Mt. Apo facility. This 49 MW project overlaps with Mt. Apo National Park, which is a protected area under Republic Act No. 9237. To allow geothermal development, EDC took measures to reclassify the management zoning of the project area. In July 2022, the Protected Area Management Board (PAMB) approved the reclassification of the proposed project area into multiple-use zones. Since then, the Company made progress and signed a memorandum of agreement (MOA) with the Unified Bagobo Tagabawa Indigenous Cultural Communities for the planned exploration drilling. Currently, EDC is pursuing various permits, including endorsements from local government units (LGUs).

Mainit-Sadanga Geothermal Power Project (Mainit-Sadanga Project) was awarded by the Department of Energy (DOE) in 2021 under GSC No. 2021-10-068. It has a total area of 12,069 hectares (ha) that encompasses various barangays in Sadanga and Bontoc, Mountain Province. The Mainit-Sadanga Project was given a pre-development period of seven years ending in 2028 and a 25-year contract period ending in 2046, with the possibility of renewal for another 25 years. In April 2025, EDC acquired the Certificate of Non-Coverage and Certification Precondition from the Department of Environment and Natural Resources (DENR) and National Commission on Indigenous Peoples (NCIP), respectively, for the Prefeasibility Study at Sadanga.⁶

The Buguias-Tinoc Geothermal Power Project (Buguias-Tinoc Project) was awarded to EDC in December 2023 under GSC No. 2023-11-076. The Buguias-Tinoc Project is located in the municipalities of Benguet and Ifugao with a total area of 10,854 ha.

Currently, Mainit-Sadanga and Buguias-Tinoc Projects are in the process of obtaining permits and clearances from LGUs, NCIP, Environmental DENR - PAMB, and other stakeholders to carry out the resource assessment.

⁵ <https://www.thinkgeoenergy.com/edc-mobilizes-rig-for-exploration-drilling-at-amacan-geothermal-site-philippines/>

⁶ A Certificate of Non-Coverage states that a particular project or activity is not covered by the Environmental Impact Statement System. This means the project does not require an Environmental Compliance Certificate because it is deemed to have minimal environmental impact. A Certification Precondition, on the other hand, confirms that the free, prior, and informed consent of the concerned Indigenous Cultural Communities/Indigenous Peoples has been obtained.

Mt. Sembrano Geothermal Power Project (Sembrano Project) was also awarded by the DOE to EDC under GSC No. 2023-11-076. The project is situated in the municipalities of Rizal and Laguna and has a total area of 9,882 ha. The Company has completed the initial geoscientific surveys and is now conducting its resource assessment.

International Geothermal Development Plans and Investments

Indonesia

In June 2018, PT EDC Indonesia (EDCI), a subsidiary of EDC, was awarded Preliminary Survey and Exploration (PSPE) rights over the Graho-Nyabu geothermal working area in Sumatra, Indonesia. Under the PSPE Work Program⁷, EDC will complete all surface studies, design and construct the roads and drilling pad, and drill at least two exploration wells for a period of three years, extendable by one year. The Company internally estimates the capacity of this resource at about 100 MW. In the previous review, EDC planned to start the construction of civil works infrastructure for site access in 2024. EDC's efforts are currently focused on obtaining permits to access the project which is located inside the national park.

In September 2024, PT EDC Panas Bumi Indonesia was awarded PSPE for two new geothermal sites: Koto Sani in the Island of Sumatra and Bora Pulu in the island of Sulawesi. EDC is conducting surface exploration surveys to be followed by an integrated resource assessment.

In August 2025, the Company through PT FirstGen Geothermal Indonesia formed a strategic partnership with PT DSSR Daya Mas Sakti to develop geothermal energy in Indonesia.⁸ PT FirstGen Geothermal Indonesia is a newly incorporated subsidiary of EDC, while PT DSSR Daya Mas Sakti is a subsidiary of PT Dian Swastatika Sentosa Tbk of the Sinar Mas Group. Sinar Mas Group is one of the largest conglomerates in Indonesia. It has a diverse portfolio of business spanning Pulp & Paper, Agri-business & Food, Financial Services, Real Estate & Developer, Communications & Technology, Energy & Infrastructure, and Healthcare.

Chile

The Company is also in the early stage works for the potential 110 MW Mariposa Project in central southern Chile. EDC continues to maintain the project concession in good standing.

Hydroelectric Power Plant

The Company indirectly operates the 132 MW Pantabangan-Masiway Hydroelectric Power Plant located in Nueva Ecija, through its 60% ownership stake in First Gen Hydro Power Corporation (FG Hydro). FG Hydro provides electricity as ancillary services to the National Grid Corporation of the Philippines (NGCP) under an Ancillary Services Procurement Agreement (ASPA). The FG Hydro and NGCP's ASPA is valid until September 20, 2028. FG Hydro likewise buys and sells electricity from/to the Wholesale Electricity Spot Market (WESM) and to various privately-owned DUs under Power Supply Agreements (PSA) and Program Supply Contracts.

FG Hydro is developing Project Aya, a 120 MW pumped-storage hydroelectric project in the province of Nueva Ecija. The project is expected to store and generate energy by pumping water between the Pantabangan reservoir and the Masiway reservoir and will allow full year operations independent of the

⁷ Work Program is a document that outlines the activities, objectives, timelines, and budget for exploration, development, or production operations.

⁸ <https://www.thinkgeoenergy.com/first-gen-enters-joint-venture-for-geothermal-development-in-indonesia/>

irrigation demands from the National Irrigation Administration (NIA). The technology will allow water to be discharged for as long as 12 hours and can be pumped even off-peak, which will secure more reliable grid operations despite having intermittent plants come onto the grid. Although Project Aya is a hydro project, it functions similarly to a battery system. Project Aya is currently in the process of securing the remaining permits for project implementation.

Wind Power Plant

EDC, through its subsidiary EDC Burgos Wind Power Corporation, owns and operates the 150 MW Burgos Wind Project (Burgos Wind) located in Burgos, Ilocos Norte. Burgos Wind is comprised of 50 units of wind turbine generators, with each turbine having a capacity of 3 MW.

The Company holds six onshore wind energy service contracts and four offshore wind energy service contracts awarded by the Department of Energy. Four of the onshore wind power projects are located in Ilocos Norte, one in Laguna, and one in Guimaras. The four offshore wind power projects are situated in the Visayas region. Total capacity of these projects has yet to be determined as it will depend on the wind turbine model and the capacity of the transmission grid to accommodate additional generation.

Solar Power Plant

EDC Siklab Power Corporation (EDC Siklab), a wholly-owned subsidiary of EDC, operates solar rooftop systems. As of end-2024, EDC Siklab operates eight solar rooftop systems in Gaisano Capital's malls located in Iloilo, Aklan, Leyte, Southern Leyte, and Sorsogon.

EDC also operates the 6.82 MW Burgos Solar Project (Burgos Solar), a solar farm co-located with Burgos Wind in Ilocos Norte.

Both Burgos Wind and Burgos Solar were under a FIT regime. FIT is a guaranteed payment in Philippine Peso per kilowatt-hour (kWh) for electricity generated from emerging RE technologies and delivered to the transmission and/or distribution network. Burgos Wind is entitled to an initial FIT rate of P8.53 per kWh. The two-phased Burgos Solar is entitled to FIT rates of P9.68 per kWh for Phase 1 and P8.69 per kWh for Phase 2.

Battery Energy Storage Systems (BESS)

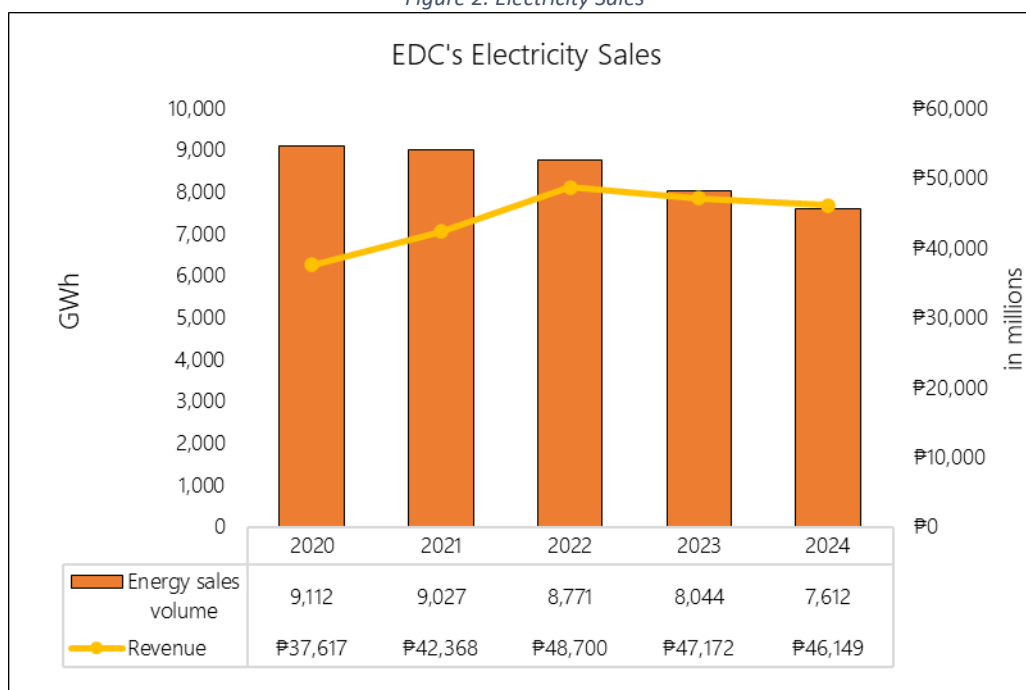
EDC is building three BESS co-located at its existing facilities in BacMan, Tongonan, and Southern Negros. The Company is installing a 20 MW BESS in BacMan, 10 MW in Tongonan, and 10 MW in Southern Negros. The BacMan BESS has achieved commercial operations in September 2025. The Tongonan and Southern Negros BESS are mechanically complete and in the final stages of commissioning, with commercial operations expected to begin within 4Q2025.

Meanwhile, the 30 MWh BESS in Negros Occidental, part of the Bago Integrated Project, is expected to be operational by 2027, a slide from the initial target completion in 2026. Additionally, the expected capacity of the Bago BESS project increased from 10 MWh to 30 MWh. The project's capacity was increased to maximize the output of Bago BESS in view of the decrease in battery prices. It is worth noting that the costs for the substation, transmission line, and balance of plant equipment are relatively inelastic despite the increased capacity.

Operating Highlights

Electricity Sales Volume

Figure 2. Electricity Sales



EDC's energy sales volume declined by 432 GWh or 5.4% from 8,044 GWh in 2023 to 7,612 GWh in 2024. The decrease was attributed to the geothermal plants' increased maintenance activities in 2024. Unified Leyte, which has been experiencing declining steam availability since 2021, contributed the most to the decline. Total volume of energy sold from Unified Leyte was down by 18% from 1,868 GWh in 2023 to 1,527 GWh in 2024. Moreover, Palinpinon 1 & 2 also recorded a notable 16% decline in energy sales volume, from 1,334 GWh in 2023 to 1,122 GWh in 2024. These declines were attributed to issues on surface facilities. Nevertheless, production is seen to become more reliable in the medium term with the improvements in the plants. To improve efficiency, Unified Leyte is expected to undergo a comprehensive facility upgrade, while rotors in Palinpinon will undergo upgrading to increase capacity/steam output.⁹

In 2024, BacMan and Tongonan overtook Unified Leyte both in revenues and sales volume contribution. BacMan and Tongonan each contributed approximately 23% of the total volume sold. In terms of revenues, Tongonan made the biggest contribution at 26%, followed by BacMan at 22%, while Unified Leyte accounted for 18%.

In the past years, EDC recorded declining sales volume on account of natural decline, well retirements, and plant outage. In 2024, the Company ramped up its steam augmentation/drilling program, which will make up for the natural decline and well retirements. EDC completed the drilling of 24 wells in 2024, higher than the initial target of 22 wells. For 2025, EDC is on track to complete the drilling of 21 wells. Management expects the benefit from the drilling operations program to materialize beginning 4Q2025,

⁹ Rotors are part of a turbine that converts thermal energy from steam into mechanical energy.

with the goal of going back to the 2019 steam level. Detailed information on revenues and volume contribution per facility is in Table 4.

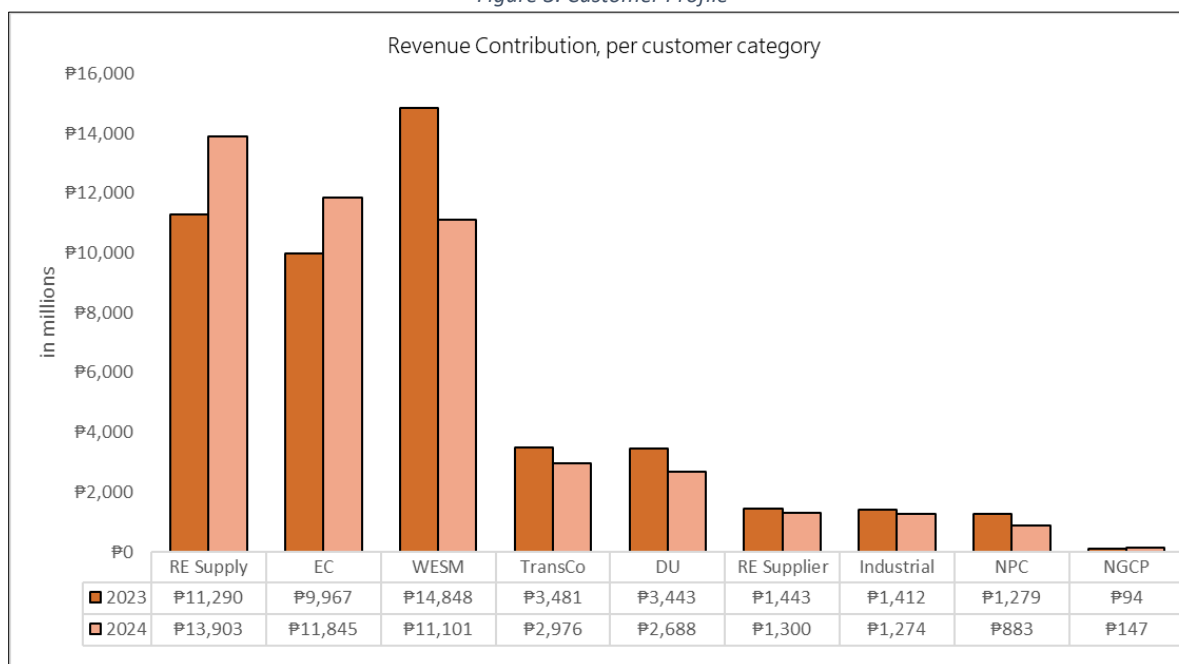
Table 4. Electricity Sales for 2023-2024

Project	2023			2024		
	Volume (GWh)	Revenues (millions)	Revenue Share (%)	Volume (GWh)	Revenues (millions)	Revenue Share (%)
Leyte	1,868	₱10,276	21.8	1,527	₱8,214	17.8
Mindanao 1, 2, & 3	665	₱2,858	6.1	616	₱3,000	6.5
Nasulo	323	₱2,032	4.3	317	₱2,030	4.4
Tongonan 1	1,532	₱9,386	19.9	1,737	₱11,847	25.7
Palinpinon 1 & 2	1,334	₱8,066	17.1	1,122	₱6,905	15.0
Bacman	1,754	₱9,792	20.8	1,797	₱10,332	22.4
Pantabangan-Masiway	202	₱1,239	2.6	211	₱1,077	2.3
Burgos Wind	352	₱3,392	7.2	269	₱2,602	5.6
Solar (Burgos, Siklab)	15	₱130	0.3	14	₱119	0.3
Bago Binary	-	-	0.0	5	₱25	0.1
Total	8,044	₱47,171	100	7,612	₱46,149	100

Customer Profile

EDC is primarily engaged in the generation and sale of electricity through Company-owned power plants. As of end-March 2025, EDC’s customers include: NGCP, National Transmission Corporation (TransCo), privately-owned DUs, ECs, large industrial clients, retail electricity suppliers (RES), and contestable customers. EDC holds short-term to long-term offtake agreements in various forms with these customers. Generated electricity in excess of contracted levels is sold to the WESM.

Figure 3. Customer Profile



In 2024, approximately 80% of EDC’s total revenues continued to be derived from retail electricity supply, ECs, and WESM.¹⁰ Retail electricity supply was the top revenue contributor in 2024 with 30.1% share. This customer segment’s share gradually increased from 9% in 2021, given the reduced RCOA threshold in 2021 and the implementation of the GEOP in 2022. WESM, which was the top revenue contributor in 2023, still contributed substantially to total revenues in 2024, albeit had a lower share of 24.1%. On the other hand, ECs’ contribution to total revenues increased to 25.7% from 21.1% in 2023.

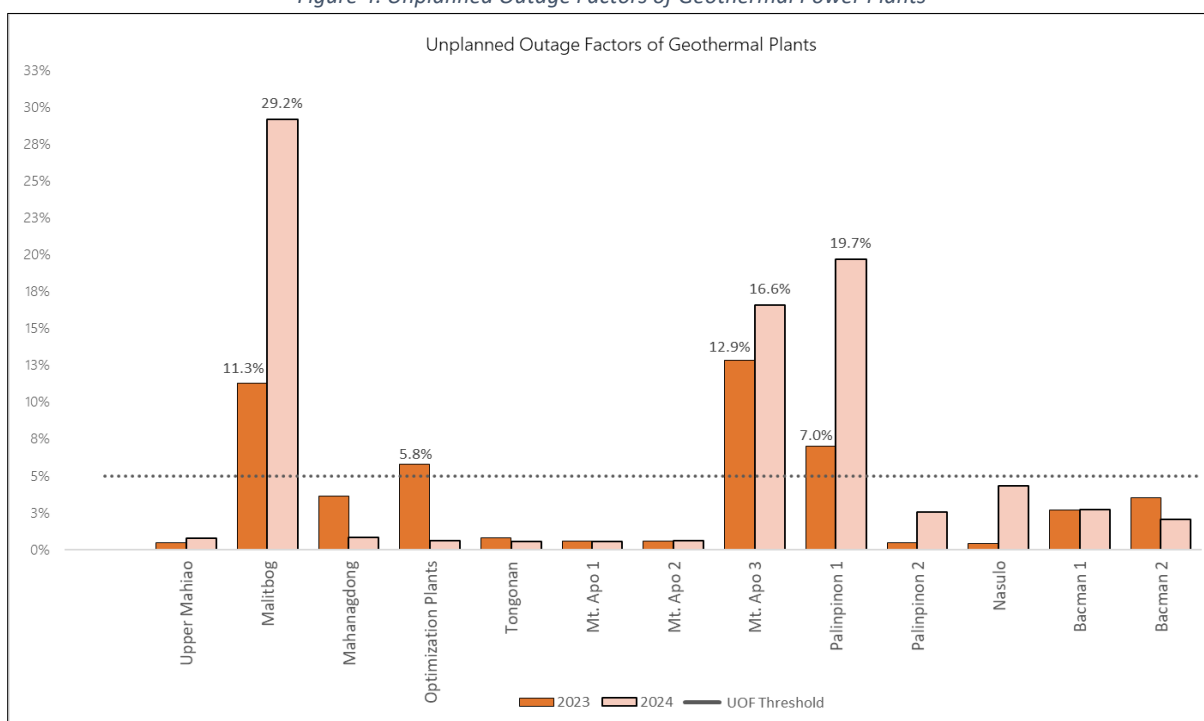
In June 2024, EDC’s remaining Power Purchase Agreement (PPA) with NPC for Mindanao II expired. As such, no revenues from NPC were recognized in 1Q2025. EDC was able to gradually transition the volume allocated to NPC to other customers beginning 2021. As such, the Company now has a more diverse mix of customers and is less dependent on big customers. EDC also generates a notable portion of its revenues from retail customers, primarily from RCOA and GEOP customers.

Energy sales volume from combined bilateral contracts and WESM sales dropped by 5.3% to 7,591 GWh in 2024 from 8,020 GWh in 2023. Total energy sales likewise decreased to ₱46.0 billion from ₱47.1 billion in 2023. Nonetheless, the total share of bilateral contracts and WESM revenues was relatively unchanged at 99.7% of the total. The balance of 21 GWh sales volume in 2024 was sold to NGCP as contingency and dispatchable reserves under ASPA, generating ₱147 million in revenues.

As of end-March 2025, 16.5% of EDC’s capacity was uncontracted, in line with its current strategy in view of WESM prices. As for the expiring offtake agreements in 2025, these will be replaced by various contracts with contestable customers and DUs/ECs.

Unplanned Outage Factor (UOF)

Figure 4. Unplanned Outage Factors of Geothermal Power Plants



¹⁰ RES includes revenues from GEOP.

The UOFs of Malitbog, Mt. Apo 3, and Palinpinon 1 continued to increase in 2024. The aforementioned plants also breached the 5.0% UOF threshold in 2023. Malitbog, which had historically low UOF, breached the threshold beginning 2023 due to the plant's extended shutdown given the needed rings off for the generator. Its UOF further jumped to 29.2% in 2024 due to the manual shutdown of its two units. Similarly, the UOFs of Mt. Apo 3 and Palinpinon grew to 16.6% and 19.7%, respectively, in 2024. Due to the global supply chain issue, the delivery of spare parts from original equipment manufacturer (OEM) suppliers took two to three years to be delivered, contributing to the higher UOFs. To mitigate this, EDC began placing advance orders for parts that are projected to be replaced or needed over the next two years. The Company also expanded its network to cover non-OEM suppliers.

Notwithstanding these, EDC managed to keep an availability factor (AF) of 91.0% as of end-2024. This was relatively in line with the global standard of 92%. Such, however, declined as of end-March 2025 to 87.7% due to the scheduled major preventive maintenance in Palinpinon and BacMan. EDC targets to achieve and maintain an AF of 94%. To strengthen its facilities against natural calamities and reduce UOF, EDC will focus on cooling tower upgrades, building retrofitting, and landslide mitigation.

On the other hand, Unified Leyte's Optimization Plant's UOF dropped to 0.6% in 2024, from 5.8% in 2023. Such could be attributed to the decommissioning of the 19.5 MW Tongonan-1 Topping Cycle Power Plant in July 2023. Moreover, Upper Mahiao was also able to sustain a low UOF in 2024, at 0.8%. Upper Mahiao had historically high UOF, but went down to 0.5% in 2023, as only two of its four units were running.

The rest of the plants sustained below threshold UOFs in 2024. The average UOF in 2024 and 1Q2025 were 6.2% and 5.4%, respectively.

Strategy

In 2024, EDC's top priorities were its drilling operations program and growth targets/expansion projects. EDC is continuously expanding its drilling program across the Philippines. The Company intends to accelerate the drilling program and keep the steam build up on track with long-term plans. Geothermal power plants need hydrothermal resources coming from wet or dry steam wells to produce energy; hence, the new drillings could safeguard continuous extraction of steam from the ground in the coming years. EDC previously committed to drill approximately 40 new wells across Leyte, Albay, Sorsogon, and Mt. Apo from 2024 to 2026. The estimated investment for the 40 wells will be around ₱30 billion.

The Company faced challenges particularly in rig availability and the corresponding manpower to operate the additional rigs. EDC subsequently secured two rental rigs to accelerate progress and supplemented manpower to boost operations. EDC also bundled key services, adopted bulk procurement strategies, and optimized well designs to improve efficiency.¹¹

In 2024, the Company drilled 24 wells, higher than the initial target of 22 wells. For 2025, EDC is on track to complete drilling 21 wells. Of the 21 wells to be drilled in 2025, 17 have been completed as of September 30, 2025.

Management highlighted that the Company's key focus includes the following: 1) drilling more in Mt. Apo; 2) optimizing the capacity of Leyte plants; 3) producing more in Palinpinon; 4) growing BacMan; and 5) minimizing downtime in windfarms.

¹¹ EDC's 2024 Integrated Report

Ownership and Management

First Gen Corporation (FGen), the Lopez Group's power generation company, remains as EDC's controlling shareholder. FGen's total voting and economic interests in EDC as of end-June 2025 were at 65.0% and 45.7%, respectively.

FGen is one of the country's largest power generators, with a mostly RE portfolio. As of end-2024, FGen had a total gross installed capacity of 3,639.2 MW, inclusive of EDC's capacity. This was equivalent to approximately 12.3% of the Philippines' 2024 total installed power capacity, which amounts to 29,706 MW.¹²

In terms of RE generation, FGen reportedly had the highest RE generation at 7,631 GWh in 2024, representing approximately 27.1% of the country's RE generation which stood at 28,193 GWh.

In 2024, FGen's consolidated revenues from sale of electricity amounted to \$2.4 billion, from \$2.5 billion in 2023. The marginal 2.7% decline was driven by lower revenues from natural gas, particularly from the San Gabriel plant following the expiration of its PSA with Meralco in February 2024, alongside its scheduled maintenance outage in March 2024. Despite the revenue decline, FGen's general and administrative (G&A) expenses grew by 12.7% to \$265.1 million. Such translated to a lower operating profit margin (OPM) of 20.6% in 2024, from 22.2% in 2023. Interest and financing charges likewise grew by 18.4% to \$114.2 million, on account of its higher debt level driven by a loan availed to acquire the 165-MW Casecan hydroelectric power plant in Nueva Ecija. Other income, on the other hand, was notably lower in 2024 at \$14.7 million, from \$42.4 million given the one-time income amounting to \$25.3 million received by FGen LNG in 2023.¹³ Due to the aforementioned, net income dropped by 24.8% to \$337.8 million. Net profit margin likewise decreased to 14%, from 18.2% in 2023.

In 6M2025, FGen's consolidated revenues declined by 5.1% to \$1.2 billion. Despite this, FGen recorded a 3.9% growth in its bottom line, from \$202 million in 6M2024 to \$209 million in 6M2025. Such was due to controlled operating expenses, alongside the non-recurring income recognized from insurance claims amounting to \$8.1 million, the favorable adjustment on the related lease liability with BW Batangas for the charter hire fee amounting to \$5.1 million, and the \$4.8 million deferred income tax benefit recognized for Santa Rita, San Lorenzo and San Gabriel.

FGen's consolidated assets stood at \$6.9 billion as of end-June 2025, with property, plant and equipment (PPE) valued at \$3.4 billion. Ample liquidity level was maintained, with current and quick ratios at 1.6x and 1.1x, respectively. FGen's capitalization structure also remained conservative, with its DE ratio at 0.6x as of end-June 2025.

There have been no significant changes in EDC's management since the last rating review.

Mr. Jerome H. Cainglet is the Company's President and COO and sits as Director since 2023. He concurrently holds a Senior Vice President (SVP) position in FGen. Mr. Cainglet is also a Director, President and COO of various EDC subsidiaries, including BGI, GCGI, and EDC Geothermal Corporation. He has been with the Lopez Group since 1990 when he first joined First Philippines Holding Corporation (FPH). He holds a Bachelor of Science degree in Chemical Engineering from the University of the Philippines and an Executive Master of Business Administration degree from the Asian Institute of Management.

¹² https://legacy.doe.gov.ph/sites/default/files/pdf/electric_power/existing_power_plants/04.%20LVM%20Summary.pdf

¹³ In 2023, FGen LNG received a settlement from its contractors for construction delay.

Mr. Federico R. Lopez remains to be the Chairman of the Board of EDC. Mr. Lopez has been the Chairman of EDC since 2010. Concurrent with his designation as Chairman, he also took on the role of Chief Strategy Officer in July 2024. He also serves as the Chairman and Chief Executive Officer (CEO) of publicly-listed companies Lopez Holdings Corporation, FPH, and FGen. Mr. Lopez is known for leading the Lopez Group to become a leader in energy security, sustainability, and clean technology for natural gas and RE. Mr. Lopez graduated Cum Laude from the University of Pennsylvania with a Bachelor of Arts degree in Economics and International Relations.

Mr. Francis Giles B. Puno is EDC's CEO and Vice Chairman, and has been a director since 2007. Mr. Puno is also the President and COO of FPH and FGen, as well as the President of FPIP and several FGen subsidiaries. He likewise sits in the board of publicly listed companies FPH, FGen, and Rockwell Land. Mr. Puno holds a Master of Management degree from the Kellogg Graduate School of Management of Northwestern University and a Bachelor of Science degree in Business Management from the Ateneo de Manila University.

Mr. Erwin O. Avante remains the CFO/Treasurer of EDC. He concurrently serves as the Company's Compliance Officer for the SEC. Mr. Avante is also an SVP in FGen and other EDC subsidiaries. Mr. Avante holds a Master of Business Administration degree and Master of Science in Computational Finance degree from De La Salle University and is a CFA Charterholder. He is a topnotcher in the May 1995 Certified Public Accountants board examination.

Environmental, Social, and Governance (ESG) Initiatives

In 2024, EDC invested a total of ₱119 million in its Corporate Social Responsibility (CSR) initiatives. The Company has two major CSR programs, BINHI and SIKAT. The Company allocated ₱24.7 million for the SIKAT program and ₱32.9 million for the BINHI Program in 2024.

The BINHI program is EDC's banner environmental program. It is one of EDC's key initiatives to achieve a decarbonized and regenerative future. BINHI is a nationwide reforestation program aimed at restoring degraded forests in the country by propagating and planting threatened native tree species. Through this program, EDC partners with local communities, academic institutions, civil society groups, and government agencies to promote biodiversity and forest management. As of end-2024, EDC had partnered with 223 BINHI partners, cultivated 172,106 high-quality seedlings, and established 163 tree parks and 48 arboreta¹⁴.

As part of the Company's decarbonization program, EDC developed the Net Zero Roadmap in 2024. The Net Zero Roadmap focuses on exploring Carbon Capture and Storage (CCS) technology to reduce emissions from geothermal operations. CCS technology involves capturing carbon dioxide from industrial processes and power plants, transporting it, and then storing it underground to prevent it from entering the atmosphere. The Company is currently conducting preliminary studies, with feasibility assessments expected to be completed in 2-3 years and pilot equipment installation within 3-5 years.

Net Zero Carbon Alliance (NZCA), which EDC founded in 2021, had its 2nd Philippine Net Zero Conference. The conference was attended by 300 participants from businesses, policy-making bodies, financial institutions, and other stakeholders.

¹⁴ A piece of land dedicated to the cultivation of trees and shrubs.

The SIKAT Program is the Company's education/scholarship program. In 2024, SIKAT provided financial assistance and mentoring support to 621 scholars across its project sites. The scholarship provides Information and Communication Technology support including laptops and pocket Wi-Fi to facilitate distance learning. SIKAT also has initiatives for technical-vocational training through the Kananga-EDC Institute of Technology Educational Foundation, Inc. In 2024, the program produced 17 graduates from its geothermal sites in Ilocos Norte, Sorsogon, Leyte, Negros Occidental, Negros Oriental, and Cotabato, including three graduates from the Obo Manobo indigenous community in Mindanao.

In addition to BINHI and SIKAT, EDC also supports the upliftment of indigenous peoples. In 2024, the Company invested ₱38.8 million in livelihood programs, financial support for the Mt. Apo Foundation, and royalties for the Manobo Apao Descendants of Ancestral Domains of Mount Apo.

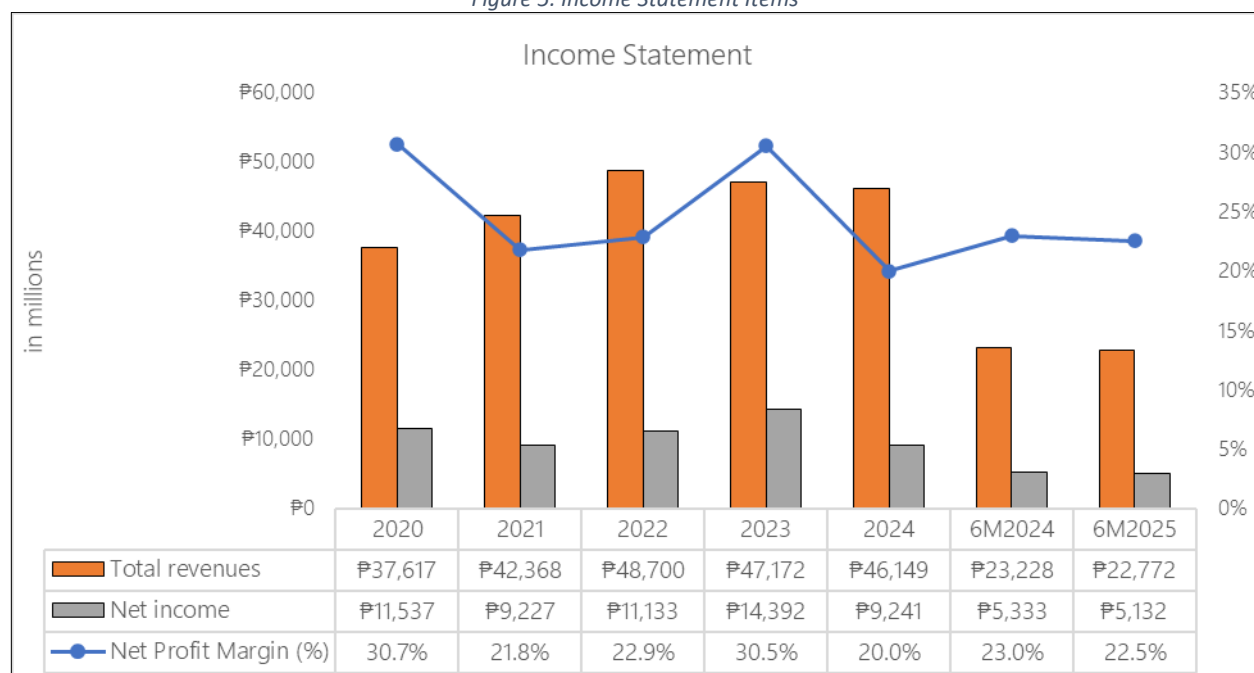
In terms of governance, EDC was compliant with all the recommendations on corporate governance policies and practices provided under the Securities and Exchange Commission (SEC) Corporate Governance Code for publicly-listed companies.¹⁵

¹⁵ <https://www.energy.com.ph/wp-content/uploads/2025/05/Annual-Corporate-Governance-Report-SEC-Form-ACGR-20250527.pdf>

FINANCIAL PROFILE

Profitability

Figure 5. Income Statement Items



2024

In 2024, EDC recorded a marginal 2.2% decrease in its revenues, from ₱47.2 billion in 2023 to ₱46.1 billion, attributed to the lower sales volume for the year, partially offset by higher average selling prices. Costs of sale of electricity and G&A expenses, on the hand, grew by 9.5% and 19.4%, respectively. These increases were primarily attributed to the growth in expenses for purchased services and utilities, rent, and insurance and taxes, as well as higher provision for impairment of trade and other receivables. The Company consequently registered a decline in its operating income and margin. Operating income decreased from ₱17.8 billion in 2023 to ₱13.3 billion in 2024, while OPM dropped from 37.6% to 28.7%.

Interest expense also went up by 14.8% to ₱3.7 billion in 2024, driven by the increased long-term debts for the year. As a result, the Company's net income decreased by 35.8% to ₱9.2 billion, from ₱14.4 billion in 2023. NPM for the year also shrank to 20.0%, from 30.5% in 2023. Such is the lowest NPM recorded in the past five years.

6M2025 vs 6M2024

EDC's topline in 6M2025 amounted to ₱22.8 billion, down from ₱23.2 billion in 6M2024. The marginal 2.0% decrease was due to the lower average sales prices, partially offset by the increase in sales volume. While costs of sale of electricity were almost unchanged, the Company's G&A expenses declined by 9.5% in 6M2025. As a result, operating income remained flat at ₱7.4 billion. OPM marginally improved to 32.4% in 6M2025, from 32.1% in 6M2024.

Interest expense, on the other hand, grew by 35.8% from ₱1.8 billion to ₱2.5 billion, attributed to the increase in interest on long-term debts. The Company therefore registered a 3.8% decline in its net

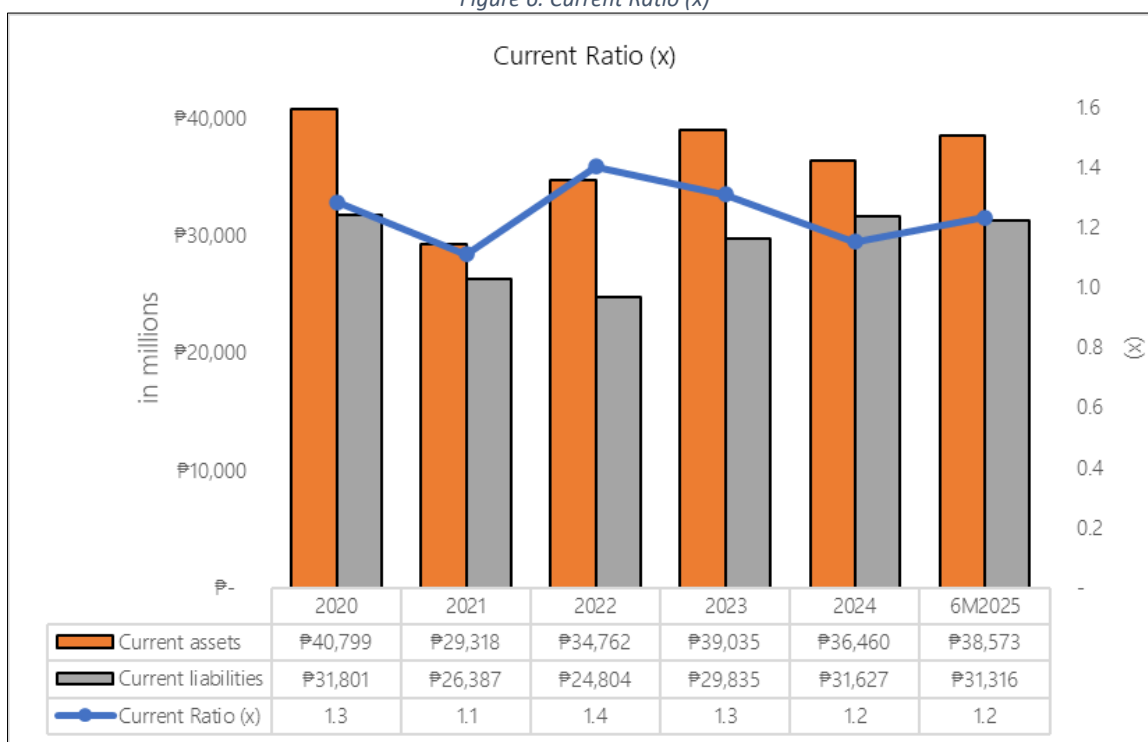
income, from ₱5.3 billion in 6M2024 to ₱5.1 billion in 6M2025. Similarly, NPM inched down from 23.0% to 22.5%.

Projected Period (2025-2026)

The Company's revenues are expected to grow over the projected period on the back of the completed growth projects and the on-track completion of its drilling activities. Similarly, net income is projected to post strong double-digit increases, further supported by the improvement in margins.

Cash Flow and Liquidity

Figure 6. Current Ratio (x)



2024

In 2024, EDC continued to generate positive net cash flows from operating activities amounting to ₱20.6 billion. Such, however, was lower than the ₱25.0 billion in the previous year. On top of the lower operating income, the increase in parts and supplies inventories and the lower increase in trade and other payables also contributed to the lower cash flows. The decline was partially offset by the cash generated from the sale of short-term investments.

In addition to cash from operations, EDC also secured cash from long-term debts, including the issuance of the ₱10.0 billion ASEAN Green Bonds in 2024. Total proceeds from long-term debt availment in 2024 amounted to ₱34.8 billion. Proceeds of which were partially used to pay the Company's financing obligations, including settlement of EDC's Series A Bonds amounting to ₱2.5 billion which matured in June 2024. In 2024, EDC had a net cash inflow from financing activities amounting to ₱7.0 billion.

The Company's cash was also used to fund its investing activities, primarily the acquisition of PPE. In 2024, PPE acquisitions amounted to ₱28.5 billion. Such was 57.8% higher than the PPE acquisitions made in 2023, driven by the increased capital expenditure on projects under construction.

Due to the foregoing, EDC's cash and cash equivalents declined to ₱13.6 billion as of end-2024, from ₱17.4 billion as of end-2023. Nonetheless, such is ample to cover the Company's interests and maturing short-term obligations amounting to ₱12.7 billion. EDC's liquidity remained healthy with a current ratio of 1.2x, albeit lower than 1.3x a year ago.

6M2025 vs 6M2024

While EDC's cash from operations before working capital changes grew by 4.7% to ₱12.0 billion in 6M2025, the Company's net cash flows from operating activities dropped by ₱3.9 billion or by 33.1% to ₱7.9 billion. The dip was due to the increase in payments to contractors alongside the lower decrease in other current assets.

In February 2025, FG Hydro entered into a purchase agreement to subscribe to 28 million Series H preferred stocks of FGen. As a result of the transaction, financial asset at fair value through other comprehensive income increased by ₱2.8 billion. Such also drove the increase in cash used in investing activities, which amounted to ₱14.8 billion in 6M2025.

With the relatively low cash from operations, EDC obtained additional financing, through long-term debts, to fund the subscription and other investing and financing needs. Total debt proceeds in 6M2025 amounted to ₱21.7 billion, majority of which were drawn by FG hydro and EDC Burgos Wind Power Corporation (EBWPC).

EDC's cash and cash equivalents further declined to ₱13.1 billion as of end-June 2025. EDC's current ratio was nonetheless unchanged at 1.2x as of end-June 2025.

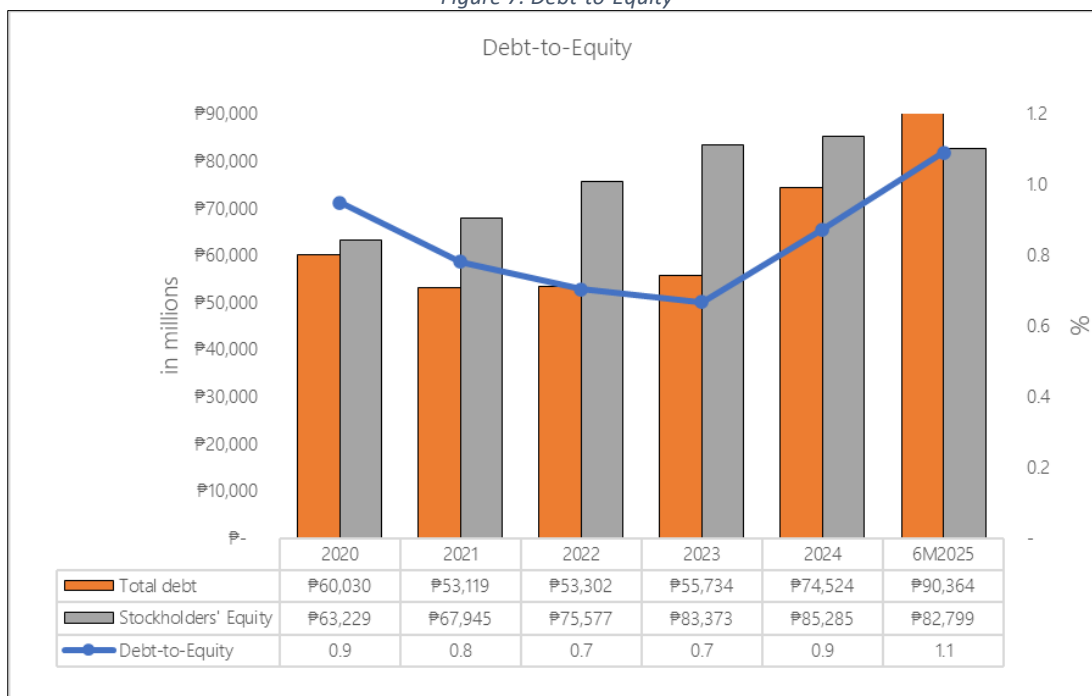
Projected Period (2025-2026)

Given the anticipated benefits from its extensive drilling program in 2024, the Company expects its operating cash flow to be robust over the projected period. It looks forward to having sufficient cash from its operations to settle its interest and short-term loan obligations over the projected period. Cash flows are expected to be healthy overall going forward.

With its sustained strong cash generation capacity, EDC is seen to be in a good position to settle its ₱2.5 billion Series B ASEAN Green Bonds that will mature in June 2026.

Capital Structure

Figure 7. Debt-to-Equity



2024

EDC recorded a substantial increase in its total debt in 2024. Throughout the year, EDC drew from its existing and new corporate term loan agreements with local and international banks. Proceeds from these loans were used to fund various capital expenditures and growth projects, as well as for general corporate purposes. Additionally, the Company listed ₱10.0 billion ASEAN Green bonds in May 2024. This is the second and final tranche of its ₱15.0 billion shelf registration. Total debt as of end-2024 amounted to ₱74.5 billion, a 33.7% increase from ₱55.7 billion a year ago. Of the total debt, 12.2% was current and 17.6% were U.S. Dollar denominated. The maturities of these long-term debts are spread over 10 years. Total equity, on the other hand, grew marginally by 2.3%, from ₱83.4 billion in 2023 to ₱85.3 billion in 2024. This was on account of the 3.7% uptick in retained earnings.

EDC's capital structure remained conservative, considering the capital-intensive nature of its business. DE ratio stood at 0.9x as of end-2024, higher than the 0.7x recorded as of end-2023.

6M2025 vs 2024

EDC's total debt grew further to ₱90.4 billion as of end-June 2025, driven by the drawdown by FG Hydro and EBWPC in 6M2025. On the contrary, the Company recorded a minimal 2.9% decline in total equity to ₱82.8 billion. In 6M2025, EDC declared cash dividends amounting to ₱7.3 billion which led to lower retained earnings.

The Company's DE ratio remained at a manageable level, albeit higher at 1.1x as of end-June 2025, from 0.9x as of end-2024.

Projected Period (2025-2026)

EDC's leverage levels are seen to remain manageable over the projected period. Such will be supported by the continuous plowback of earnings into operations.

Financial Flexibility

As of June 30, 2025, EDC had a significant amount of available bank lines and other credit facilities, which the Company could tap should the need arise.

FGen and FPH also had market capitalizations of ₱55.0 billion and ₱30.6 billion, respectively, as of October 9, 2025.

ECONOMY AND INDUSTRY**Economy¹⁶****2024¹⁷**

The country's Gross Domestic Product (GDP) grew by 5.2% in 4Q2024, unchanged from the previous quarter. The expected boost in economic activity in 4Q2024 due to the holiday season was dampened by the impact of destructive storms and other climate-related disruptions. Such brought the full-year 2024 GDP growth to 5.6%, lower than the government's revised full-year target of 6.0%-6.5%. Nonetheless, the Philippines remained as one of the fastest-growing economies in the Asia Pacific region, following Vietnam (7.5%) and China (5.4%).¹⁸

The Industry and Services sectors grew by 5.6% and 6.7%, respectively. In contrast, Agriculture, Forestry and Fisheries contracted by 1.6%, and which was attributed to the record-breaking typhoon season – six typhoons struck the country from the end of October until the middle of November.

Household Final Consumption Expenditure (HFCE) expanded by 4.8% in 2024, slower compared with the 5.6% growth recorded in 2023. Government Final Consumption Expenditure (GFCE), on the other hand, grew by 7.2%, notably higher than its marginal 0.6% growth in 2023.

2Q2025¹⁹

In 2Q2025, the Philippine GDP expanded by 5.5%, slightly up from the 5.4% growth recorded in 1Q2025 but slower than the 6.5% posted in 2Q2024. The main contributors to growth were: Wholesale and retail trade, repair of motor vehicles and motorcycles (5.1%); Public administration and defense, compulsory social security (12.8%); and Financial and insurance activities (5.6%). All major economic sectors registered growths: AFF, 7.0%; Services, 6.9%; and Industry, 2.1%. On the demand side, HFCE grew by 5.5% in 2Q2025. Government spending likewise rose by 8.7%.

Economic Outlook²⁰

In June 2025, the Development Budget Coordination Committee (DBCC) revised the country's 2025 to 2028 GDP growth target. In 2025, economic target was lowered to 5.5% to 6.5%, from the previous range of 6.0% to 8.0%. Similarly, DBCC also trimmed its 2026 to 2028 target to 6.0% to 7.0%, from 6.0% to 8.0%.

¹⁶ Philippine Statistics Authority

<https://www.rappler.com/business/gross-domestic-product-philippines-q4-2023/>

¹⁷ <https://psa.gov.ph/content/gdp-expands-52-percent-fourth-quarter-2024-brings-full-year-2024-gdp-year-year-growth-rate>

¹⁸ <https://www.philstar.com/headlines/2025/01/30/2417970/philippines-ends-2024-56-economic-growth-missing-govt-target>

¹⁹ <https://psa.gov.ph/content/gdp-expands-55-percent-second-quarter-2025>

²⁰ <https://www.rappler.com/business/dbcc-revised-economic-targets-philippines-june-2025/>

According to DBCC Secretary Amenah Pangandaman, the revisions factored in the heightened global uncertainties such as the ongoing tension in the Middle East and reciprocal tariffs imposed by the United States (U.S.). The government is optimistic that the country's economic growth will reach the new 2025 target amid the expected lower trade deficit and a boost in domestic consumption driven by the low interest rates, easing inflation, and the robust labor market.

Table 5. GDP Forecasts

Institution	2025E	2026E
Development Budget Coordination Committee (DBCC)	5.5% - 6.5%	6.0% - 7.0%
Asean Macroeconomic Research Office (AMRO)	5.6%	5.5%
Asian Development Bank (ADB)	5.6%	5.7%
International Monetary Fund (IMF)	5.4%	5.7%
World Bank	5.3%	5.4%

In July 2025, the Asean Macroeconomic Research Office (AMRO) and Asian Development Bank (ADB) further trimmed their 2025 GDP growth forecasts for the Philippines. Nonetheless, such remained within the government's revised target for the year.

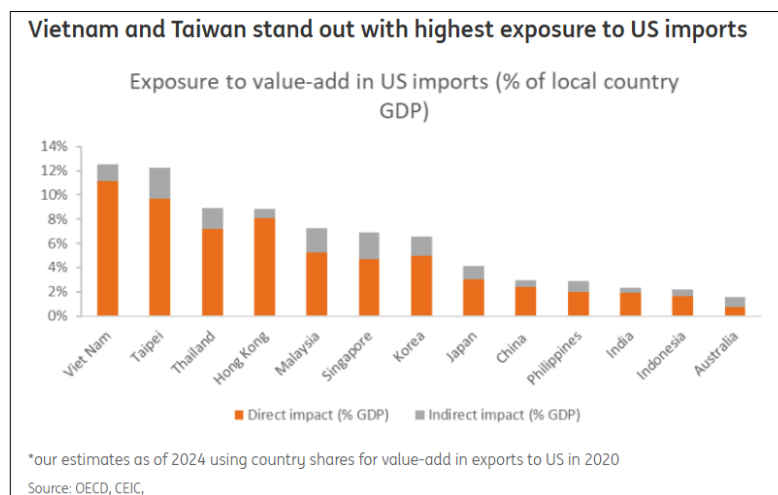
AMRO cut its GDP growth forecast to 5.6%, from its previous forecast of 6.3%. While AMRO's principal economist Allen Eng acknowledged that the Philippines will be less affected by the tariffs compared with regional peers, given the country's more domestic centric structure, he noted that there would be a broader impact given the global economic slowdown. Nonetheless, AMRO expects the country to be the second-fastest growing economy in ASEAN region in 2025 and 2026.

ADB also attributed its GDP growth downgrade, from 6.0% to 5.6%, to external headwinds. Noting that business confidence softened amid heightened global policy uncertainties. ADB, however, noted that the rest of Southeast Asia will also be affected by the trade conditions and uncertainty.

IMF sees the Philippines' GDP growing by 5.5% in 2025, also a steep downgrade from its previous forecast of 6.1%. In addition to the global trade uncertainty, the downgrade also considers the lower-than-expected GDP growth in 4Q2024. Nonetheless, despite the cut, the IMF reported that the country's economic growth would remain robust, with the Philippines poised to become the second-fastest growing economy in emerging and developing Asia, next to India. In October 2025, IMF further trimmed the growth forecast for 2025 to 5.4% amid external headwinds.

Meanwhile, in the World Bank's latest Philippine Economic Update report, the country's GDP growth was anticipated to be at 5.3%, lower than the government's revised target. According to the World Bank, the possible slowdown in the economy of U.S. and China (the Philippines' key trading partners) brought about

Figure 8. Exposure to U.S. Imports

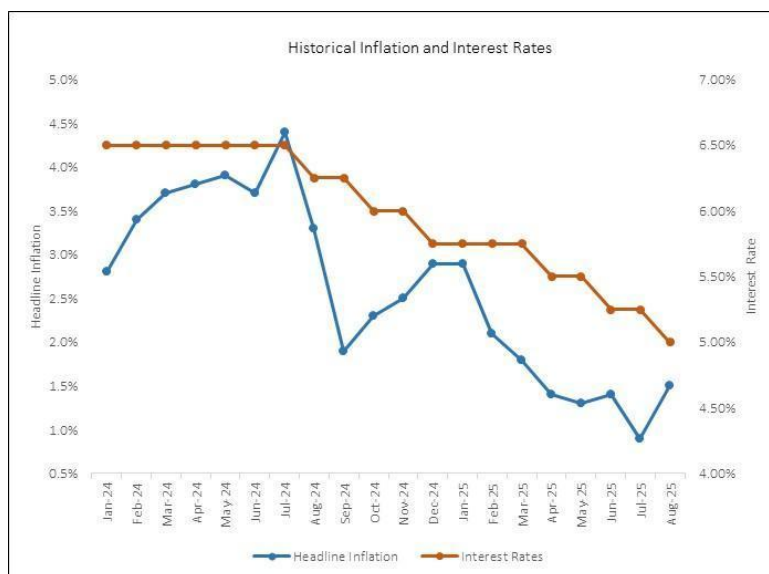


by the trade war could weaken external demand for export-oriented countries like the Philippines. In the latest economic update in October 2025, World Bank maintained its GDP growth forecast for 2025 at 5.3%.

Inflation and Interest Rates²¹

From a low of 0.9% in July 2025, inflation rose to 1.5% in August 2025, according to the Philippine Statistics Authority (PSA). The PSA attributed the higher inflation rate to the annual increase in food and alcoholic beverages, which rose to 0.9% in August 2025 from 0.2% in July 2025. Transport held steady at -0.2% in August 2025. Core inflation, which does not include volatile commodities such as food and energy, increased to 2.7% in August 2025, from 2.3% in July 2025. The figure was also higher from 2.6% in August 2024. Considering the August 2025 figure, year-to-date inflation is 1.7%.

Figure 9. Historical Inflation and Interest



The government also trimmed its inflation assumption for 2025, lowering it to 2%-3% from 2%-4%, but maintained its inflation outlook for 2026-2028 at 2%-4%.

After peaking at 6.5% in 4Q2023 and following the consistent deceleration in inflation, the BSP implemented after a series of rate cuts in 2024. Such brought the interest rate to 5.75% by end-2024. As of report writing date, the BSP has implemented a total of 100-basis-points (bps) reduction in the benchmark rates year-to-date (YTD). As such, interest rates currently stand at 4.75%, the lowest level since September 2022.

Industry^{22,23}

As defined in the National Renewable Energy Program (NREP) 2020-2040, the Philippine government aims to increase the share of RE in power generation to 35% in 2030 and 50% in 2040. To achieve this, the country will need to install another 102 gigawatts (GW) of electricity capacity by 2040 including 27 GW solar, 17 GW wind, 6 GW hydro, 2.5 GW geothermal, and 364 MW biomass.

To further reach this goal, the government also banned the construction of coal-fired power generation facility projects in 2020. Existing coal-fired power plants, committed power projects, and indicative power projects with substantial permitting accomplishments, however, were still allowed to expand their facilities. The progression of these projects is expected to contribute to the continued expansion of coal

²¹ <https://psa.gov.ph/price-indices/cpi-ir>

²² https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/2021_power_statistics_01_summary.pdf

²³ <https://www.philstar.com/business/2022/10/21/2218102/philippines-poised-next-success-story-renewable-energy>

generation in the years ahead, and therefore coal is projected to keep its position as the primary power source until 2031.²⁴

Power Generation Mix

As of end-2024, coal remained the dominant power source in the country, accounting for 63% of the total generation mix, unchanged from 2023. Similarly, RE's total contribution was unchanged at 22% in 2024.

Generation and Consumption

Total electricity generation and consumption reached 126,941 GWh by end-2024, a 7.6% increase compared to 118,004 GWh in 2023. The residential segment continued to be the main driver of electricity consumption, accounting for 32.5% of the total consumption. It was followed by the industrial and commercial segments, with 24.5% and 22.1% shares, respectively.

Power Demand

The country's total peak demand grew by 11.5% YoY to 19,274 MW in 2024, higher than the peak demand of 17,331 MW in 2023. In 2024, the Luzon grid accounted for 72.7% of the total demand, while Visayas and Mindanao had shares of 13.9% and 13.4%, respectively. Compared to the previous year, the peak demand of Luzon increased by 11.7%, while Visayas and Mindanao recorded increases of 9.1% and 10.9%, respectively.

Installed and Dependable Capacity

The increase in power demand was supplemented by the growth in the country's supply base. The country's power supply, in terms of total installed capacity, increased by 5.0% from 28,282 MW in 2023 to 29,706 MW in 2024. A total of 1,414 MW was added to the country's supply base in 2024. Of the total additions, 600 MW was coal-fired, 1,057 MW was solar, and 10 MW was biomass. In terms of dependable capacity, the Philippines had 26,086 MW in 2024, up by 5.8% from 24,653 MW in 2023. Additional RE sources, contributed a record high 894 MW of the 1,433 MW increase in 2024. Nonetheless, coal-fired power plants still accounted for the bulk of total installed capacity with a share of 45.5%, followed by RE sources which contributed 31.2%. Power supply from RE sources predominantly came from hydropower plants, accounting for 42.8% of the dependable capacity from RE sources. Solar came which drove the increase in RE's capacity growth, came in second, making up a quarter (26.5%) of the total dependable capacity from RE sources. Solar's dependable capacity in 2024 is at 2,154 MW. Such surpassed geothermal's dependable capacity which was at 1,708 MW in 2024, unchanged from 2023. Geothermal accounted for 21.0% of the total RE capacity in 2024.

Private Sector Initiated Power Projects

As of end-2024, capacities from committed power projects in the next five years amounted to 19,341 MW. The percentage share of committed capacity from coal has dropped to single digits at 8.8% as of end-2024, from 15% in end-2023. On the other hand, share of committed capacities from RE has increased to 46%, from 40% a year ago. This was primarily brought by the increase in committed capacities from solar and wind, which grew from 5,052 MW and 1,234 in 2023 to 6,214 MW and 2,229 MW in 2024, respectively. Committed solar and wind projects grew by a CAGR of 97% and 103%, respectively, since 2020. Committed capacities from BESS, on the other hand, decline to 1,898 MW in 2024, from 1,984 in 2023.

²⁴ <https://www.philstar.com/business/2022/04/07/2172922/philippines-ramp-clean-power-coal-remain-king-fitch-unit>

Weather Conditions Affecting Power Generation

Solar Irradiance

The Philippines, due to its location near the equator, receives significant solar irradiance throughout the year.²⁵ Such makes the country ideal for solar and power collection and generation. The country's high irradiance levels also make solar photovoltaic (PV) systems an appealing and viable option for solar power generation. On average, the Philippines receives approximately 4.0 kWh/m² of solar radiation per day, making it one of the sunniest regions in the world.²⁶

El Niño²⁷

According to the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA), the El Niño phenomenon which started in 2H2023 officially ended in June 2024. La Niña, however, began in 4Q2024. In April 2025, PAGASA officially lifted the La Niña alert, adding that the sea surface temperatures have reached neutral levels and that the above-normal rainfall patterns previously seen in areas like Luzon, Bicol, Eastern Visayas, and Northeastern Mindanao are not expected to continue. PAGASA also noted that El Niño Southern Oscillation (ENSO)-neutral condition is anticipated to generally prevail until November 2025.²⁸ ENSO-neutral is the state where neither El Niño nor La Niña conditions are present.

Typhoons²⁹

Typhoons are one of the major factors affecting wind power generation, as they bring heavy rains, strong winds, and storm surges. The extremely strong gusts produced by typhoons can damage wind turbines, leading to costly repairs and downtime. According to PAGASA, the Philippines experiences an average of 20 tropical cyclones per year, more than any other location globally. This frequency is also attributed to the country's geographical location and warm ocean waters.

In 2024, the country was hit by 18 tropical cyclones. This was one of the country's most severe seasons, with six consecutive cyclones from October to November.

While most regions in the country are impacted by typhoons, landfall typically occurs in the western and northern provinces. Cagayan Valley, Bicol, and Eastern Visayas are the most affected areas, while western provinces like Palawan, Panay, or Negros experience typhoons less frequently.

Geothermal

Geothermal energy relies on steam extracted from reservoirs deep beneath the Earth's surface. Unlike other renewable energy sources such as wind, solar, and hydro, geothermal energy is not directly affected by seasonal changes, climate variations, or weather conditions. Companies can, therefore, focus on maximizing steam production from existing assets. Notwithstanding this, certain geological factors, such as fault lines, groundwater flow, and tectonic activity, can still impact steam availability.

²⁵ Solar irradiance is the amount of solar radiation received per unit area at the Earth's surface.

²⁶ https://www.mspectrum.com.ph/potential_philippine_solar_energy_industry_for_business

²⁷ https://www.thestar.com.my/aseanplus/aseanplus-news/2024/06/07/el-nino-phenomenon-has-ended-philippines#goog_rewarded

²⁸ <https://pia.gov.ph/pagasa-declares-end-of-la-nina/>

²⁹ <https://www.worlddata.info/asia/philippines/typhoons.php>

Policies and Programs

Retail Competition and Open Access (RCOA)

The Electric Power Industry Reform Act (EPIRA) of 2001 is a reform created by the government to provide a level playing field to all power industry participants and to achieve a reliable and competitive electricity market. RCOA is a mandate of EPIRA which opens retail competition to the power industry. Through RCOA, contestable customers³⁰ will have the option to choose and directly negotiate from their preferred RES, on a voluntary basis, as opposed to Captive Markets wherein contestable customers must stay with their respective DUs for their electricity requirements.

Power retailing started in 2013 with a threshold level of 1 MW and up. This was subsequently brought down to 750kW to 999 kW (Phase II) in 2016 and to 500kW to 749kW (Phase III) in February 2021. The succeeding phases which were expected to reduce the threshold to 100kW in 2022 and 10kw in 2023, however, were not yet implemented.

Table SEQ Table * ARABIC 6. RCOA Threshold Implementation

	Threshold Level	Effectivity
Phase I	1mw & up	June 2013
Phase II	749 kW to 999kW	June 2016
Phase III	500 kW to 749 kW	February 2021
Phase IV	100 kW to 499 kW	January 2022*
Phase V	10 kW to 99 kW	January 2023*

*not implemented

As of May 2025, 2,225 retail customers had switched to RCOA. In August 2025, ERC proposed to reduce the threshold from 500 kW to 100 kW. According to ERC, approximately 12,154 end-users from Luzon, Visayas, and Mindanao are already meeting the minimum 100 kW eligibility threshold.³¹

Green Energy Option Program (GEOP)

This program allows electricity end-users with an average peak demand of at least 100kW to choose RE suppliers as their source of energy. With this, end-users are no longer constrained to only source their electricity supply from the DU of their location. The program gives RE generators an opportunity for retail contracting.

Retail Aggregation Program

In June 2022, the ERC welcomed the pilot implementation of RAP. This program allows smaller end-users within a contiguous area to be treated as a single contestable customer that could transact with electricity service providers, enabling them to participate and reap the same benefit enjoyed through RCOA.

RCOA, GEOP, and RAP are the customer choice programs in the retail market. As of report writing date, there are total of 54 RES, an improvement from about 19 RES in 2023.

The DOE and the government also introduced several initiatives aimed to further encourage the use of RE. These include DOE circulars on: (1) priority dispatch to all generating units utilizing RE sources in the WESM; (2) full foreign ownership in the exploration, development, and utilization of solar, wind, hydro, and ocean or tidal energy resources; and (3) Green Energy Auction Program (GEAP), among others.

³⁰ Contestable Customers are large electricity end-users who was determined by ERC through their level of consumption and has given a certificate of contestability.

³¹ <https://www.bworldonline.com/top-stories/2025/08/19/692318/erc-proposes-lower-open-access-threshold/>