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HEADLINE: Advances in Philippine coal production lauded

BODY:

The Philippines' gains and experiences in developing its coal resources could be educational for other developing countries, particularly Asean members, that are also in the process of exploiting their coal resources, said Philippine Minister of Energy, Geronimo Velasco, at a recent international exposition on coal.

The Philippine experience shows there are unique obstacles to overcome and ingenious solutions must be used, Velasco commented. It took nearly a decade to increase Philippine coal production from about 40,000 mt in 1973 to 330,000 mt in 1980, he pointed out. In 1982, output reached 558,000 mt. Last year, production exceeded 1-million mt. Velasco predicted that by 1985, some 15% of the country's energy needs will be supplied by coal compared to barely 1% in 1980.

Despite these gains in production, demand still will exceed supply. Director of Energy Development, Wenceslao de la Paz, said that even if output should hit 1.6-million mt, it would still fall short of the projected demand of 2-million mt in 1984. However, he says the government wants to expand output to 8.8-million mt by 1992.

The recent speed up in coal development of indigenous coal resources is an indication that the industry has taken off and that a major obstacle has been solved, said Velasco. For the first nine years of development, plans to increase production had been hampered by coal producers' attitudes. Producers were reluctant to raise output unless they could be assured of a sizeable market. The situation also was exacerbated by a tendency on the part of potential coal users to wait for development of an adequate supply of Philippine coal before they would invest in coal-fired equipment.

To break the impasse, the government stepped in and identified those industry sectors which would benefit the most from the switch to coal. The cement industry, selected as the first major conversion market, was given financial and technical assistance through government agencies and financing institutions in order to make the change from oil to coal. Further, state-owned Philippine National Oil Co. started a coal mining venture,

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purchased production from other mines and even imported coal from overseas to assure domestic users of a sufficient supply.

Logistics systems developed

In addition, the Philippines' National Coal Authority began work on a logistics system to solve transport problems. This move was necessary as many of the mines are in far flung areas away from the major coal users.

The Philippines also sought assistance from the governments of West Germany and the US to help spur the participation of qualified foreign companies in the Philippine coal program, said Velasco.

(S) [redacted] comments the US Trade & Development program identified six high priority projects in industry and funded four of them. The projects included: an economic and technical feasibility study for the Ministry of Energy and PNOC's integrated energy research laboratory incorporating a \$55,000 grant provided by Dames & Moore; a study for development of the Himalian coal field on Semirara Island with a \$400,000 grant; a \$400,000 study for a coal preparation plant for mines located on northern Cebu Island; and a \$150,000 study to develop alternative transportation methods for coal mines in southern Cebu Island. Those projects represent the Philippines' "well organized and systematic approach to the study of optimizing development, transportation, processing and utilization of its coal resources," said [redacted]

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